# The Mortgage Banker

AT MBA'S STANFORD SEMINAR: The student body of nearly a hundred who attended. Below, Don H. Wageman, Seattle First National Bank, faculty member; James H. Green, The Great West Life Assurance Company, Vancouver, student; Joseph R. Jones, Security-First National Bank of Los Angeles, faculty member; Rufus Freitag, Northwestern Mutual Life Insurance Company, Los Angeles (standing), faculty member; Wallace Moir, Wallace Moir Company, Beverly Hills, Chairman, Seminar Committee and faculty member; George I. Hull, Wallace Moir Company, student; and Willis R. Bryant, American Trust Company, San Francisco, vice-chairman, Seminar Committee and faculty member; and, above, G. C. Elliott, The Great West Life Assurance Co., Winnipeg; Mr. Moir and Mr. Bryant.

*in this issue* ------------------------------------

# National Homes Sales Up 27% Over Year Ago...*and Still Climbing!*

### TODAY'S BIGGEST OPPORTUNITY FOR SOUND HOME LOANS

For the fiscal year ending June 30, National Homes' volume of business showed an increase of 27% over the previous 12 months. This big gain, on top of National's already dominant position in the field, is further evidence of public acceptance . . . the reason why mortgages on National homes are such sound investments.

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*A full-color illustrated brochure of 1954 National "Pacemaker" homes will be sent on request.*

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LAFAYETTE, INDIANA · HORSEHEADS, NEW YORK

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PARENTS' MAGAZINE

*National Homes prefabricated panels and structural parts as they leave the assembly plant carry the Good Housekeeping guarantee seal and Parents' Magazine seal of commendation.*

**NATION'S LARGEST PRODUCERS OF QUALITY HOMES**

## MBA Calendar

*November 9-13, 1953,* 40th Annual Convention, Miami Beach.

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*January, 1954,* Senior Executives Course, New York University, New York.

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*February 25-26, 1954,* Midwestern Mortgage Conference, Conrad Hilton Hotel, Chicago.

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*April 12-13, 1954, Eastern Mortgage* Conference, Commodore Hotel, New York.

### THIS MONTH'S COVER

MBA's closed its 1953 educational program with one of its finest achievements so far in this field—a field in which the Association has established a notable record of success. It was the second Western Mortgage Banking Seminar at Stanford University, planned for MBA's western member firms. Almost 100 attended to get a full week's concentrated study of just about every procedure that makes up the mortgage lending operation. Wallace Moir of Beverly Hills was chairman and Willis R. Bryant of San Francisco was vice chairman of the Seminar under the Association's educational committee headed by Lindell Peterson of Chicago. Western Seminar committee members were Willis M. Allen, J. E. Anderson, S. L. Billings, S. W. Bugbee, J. L. Cooper, Bent R. Edwards, H. R. Ehlers, S. M. Engelman, R. C. Larson, Thomas C. McMillan, O. D. Propps, Jr., C. E. Van Ness, Kirk Whitehead and Alexander Whittle. Frank J. McCabe, Jr., MBA director of education and research, supervised the program.

# The Mortgage Banker

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PUBLISHED MONTHLY BY THE **MORTGAGE BANKERS ASSOCIATION OF AMERICA**

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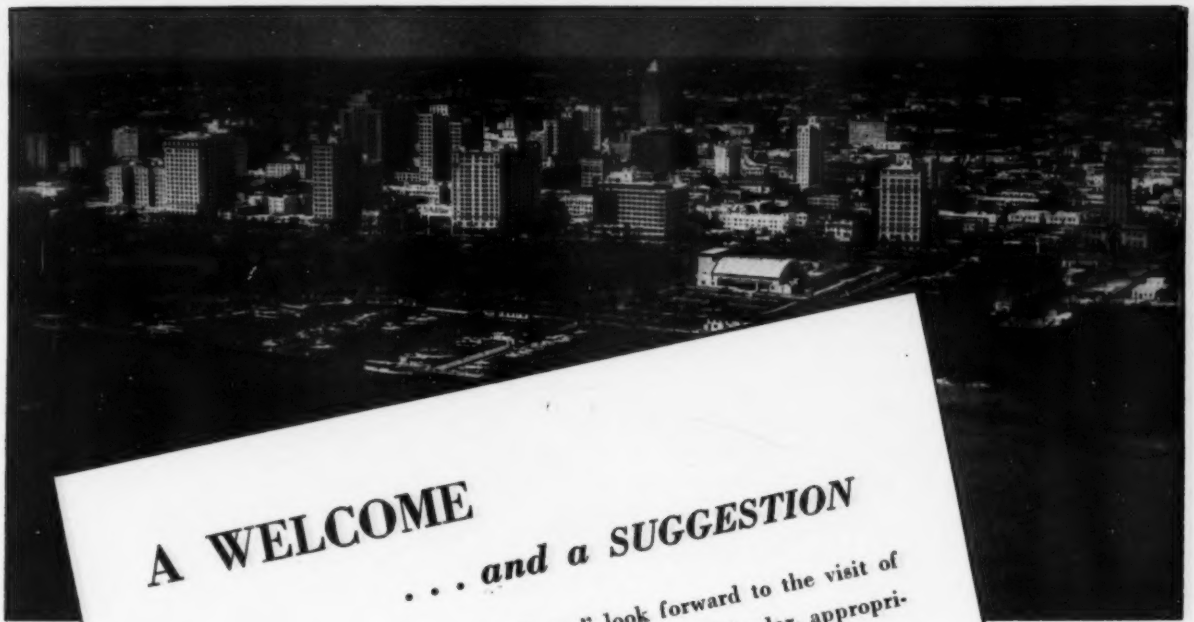



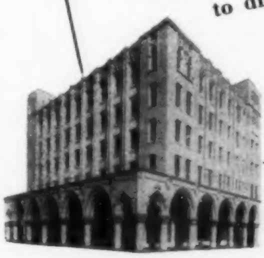

**>> BUSY AS BEES:** Figuratively speaking, the stork is busier than the saw and hammer. The 160,000,000th American arrived just ahead of another statistical event: starting of the 8th millionth house built since World War II. And the 8th million house is the 50 millionth unit in our national housing inventory.

Home loans for World War II veterans guaranteed by the GI Bill have just passed the three millionth mark. And, there are now two million veterans of the Korean War—representing another vast housing market. Only 20,000 Korean veterans have so far exercised their GI home loan privileges.

Those national statistics from NAHB point up the fact that home building has more than kept pace with the tremendous population expansion of recent years. In 1940, the Census Bureau reported a population of about 131,000,000 Americans and a housing supply of 35,000,000 units, or about 3.7 persons per unit.

Today, there are more than 50,000,000 dwelling units for our 160,000,000 people, or slightly more than 3 persons per unit.

The change in character and quality of American housing over those 13 years has been as great as its growth. Where more than half of the homes and apartment units were occupied by renters in 1940, home owners are in the majority today.

## PERSONNEL

In answering advertisements in this column, address letters to box number shown in care of the Mortgage Bankers Association of America, 111 West Washington Street, Chicago 2, Illinois.

INSURANCE WOMAN

Exceptional opportunity with Chicago Loop mortgage firm. Must be experienced in fire and liability insurance. Write fully Box 278.

Now available supervisory executive, 52 years old, 26 years experience conventional city and farm mortgage loan negotiation, closing, appraisal, service, accounting and statistics and real estate management, both as correspondent and institutional investor. Now employed but desires change. Will locate anywhere. Free to travel. Write Box 279.

Experienced Mortgage Loan Executive wishes to headquarter in the Southeast, preferably in Chattanooga, Tennessee, as regional representative for Life Insurance Company, Investment House or Savings Bank. For details please write P.O. Box 974, Chattanooga.

# VITAL STATISTICS *for the Mortgage Banker*

**(1). General Business Indexes**
(without seasonal adjustment)

| | —1953— August | July | —1952— August | July | First 8 Months 1953 | 1952 |
|---|---|---|---|---|---|---|
| Industrial production* | 241[e] | 235[p] | 218 | 194 | 238 | 212 |
| Wholesale prices** | 110.6[p] | 110.9 | 112.2 | 111.8 | 110.0 | 112.1 |
| Department store sale** | 98[e] | 89[p] | 98 | 84 | 99 | 95 |

Sources: Federal Reserve Board, U. S. Department of Labor.
*1935-39=100. **1947-49=100. [e]Estimated. [p]Preliminary.

**(2). Bond Yields**

| | —1953— August | July | —1952— August | July | First 8 Months 1953 | 1952 |
|---|---|---|---|---|---|---|
| Long-term U. S. governments: | | | | | | |
| 3¼% issue of May, 1953, 1978-83 | 3.22 | 3.25 | .. | .. | .. | .. |
| Other long-term issues | 3.00 | 2.99 | 2.70 | 2.61 | 2.96 | 2.66 |
| High-grade municipals (Standard & Poor's) | 2.88 | 2.99 | 2.22 | 2.12 | 2.73 | 2.09 |
| Moody's corporates, total | 3.51 | 3.55 | 3.18 | 3.17 | 3.42 | 3.18 |
| Moody's Aaa corporates | 3.24 | 3.28 | 2.94 | 2.95 | 3.21 | 2.95 |

Source: Federal Reserve Board.

**(3). Expenditures for New Construction Put in Place**
(millions of dollars)

| | —1953— August[p] | July | —1952— August | July | First 8 Months 1953 | 1952 |
|---|---|---|---|---|---|---|
| Private | $2,184 | $2,176 | $2,030 | $1,992 | $15,279 | $14,047 |
| Residential (nonfarm) | 1,086 | 1,106 | 1,047 | 1,028 | 7,690 | 7,038 |
| Nonresidential building | 502 | 492 | 421 | 414 | 3,645 | 3,263 |
| Public utility | 427 | 410 | 379 | 370 | 2,838 | 2,586 |
| Farm and other | 169 | 168 | 183 | 180 | 1,106 | 1,160 |
| Public | 1,137 | 1,110 | 1,088 | 1,045 | 7,363 | 6,929 |
| Total | $3,321 | $3,286 | $3,118 | $3,037 | $22,642 | $20,976 |

Source: U. S. Departments of Commerce and Labor. [p]Preliminary.

**(4). Number of Nonfarm Housing Units Started**

| | —1953— August[p] | July[p] | —1952— August | July | First 8 Months 1953 | 1952 |
|---|---|---|---|---|---|---|
| Private | 93,000 | 95,600 | 97,400 | 101,100 | 740,100 | 720,200 |
| Public | 1,000 | 400 | 1,700 | 1,500 | 29,700 | 47,300 |
| Total | 94,000 | 96,000 | 99,100 | 102,600 | 769,800 | 767,500 |

Source: U. S. Department of Labor. [p]Preliminary; figures are revised three months after issuance.

**(5). Recordings of Nonfarm Mortgages of $20,000 or Less**
(millions of dollars)

| | —1953— July | June | —1952— July | June | First 7 Months 1953 | 1952 |
|---|---|---|---|---|---|---|
| Savings and loan associations | $ 699 | $ 682 | $ 586 | $ 564 | $ 4,249 | $ 3,574 |
| Commercial banks | 323 | 325 | 317 | 305 | 2,154 | 2,025 |
| Insurance companies | 132 | 131 | 113 | 108 | 870 | 807 |
| Mutual savings banks | 127 | 120 | 105 | 96 | 729 | 592 |
| Mortgage companies and others | 517 | 511 | 469 | 440 | 3,391 | 3,061 |
| Total | $1,798 | $1,769 | $1,590 | $1,513 | $11,393 | $10,059 |

Source: Home Loan Bank Board.

**(6). Nonfarm Mortgage Acquisitions by Life Insurance Companies**
(millions of dollars)

| | —1953— July | June | —1952— July | June | First 7 months 1953 | 1952 |
|---|---|---|---|---|---|---|
| FHA | $ 71 | $ 67 | $ 69 | $ 80 | $ 514 | $ 489 |
| VA | 36 | 34 | 34 | 32 | 206 | 305 |
| Other | 264 | 229 | 222 | 204 | 1,561 | 1,298 |
| Total | $371 | $330 | $325 | $316 | $2,281 | $2,092 |

Source: Institute of Life Insurance. Data include nonresidential as well as residential mortgages.

**(7). Applications to FHA for Insurance on New Construction, and Appraisal Requests to VA on New Construction**
(number of units)

| | —1953— August | July | —1952— August | July | First 8 Months 1953 | 1952 |
|---|---|---|---|---|---|---|
| FHA applications | 23,910 | 20,660 | 27,197 | 29,482 | 245,556 | 212,008 |
| Units in home mortgages | 13,999 | 16,763 | 23,901 | 22,475 | 193,244 | 172,995 |
| Units in project mortgages | 9,911 | 3,897 | 3,296 | 7,007 | 52,312 | 39,013 |
| VA appraisal requests | 22,118 | 20,752 | 18,184 | 19,294 | 172,831 | 151,170 |

Sources: Federal Housing Administration, Veterans Administration.

The statistical evidence of a shortage of mortgage funds during July and August was mainly confined to another sharp decline in applications for FHA home mortgages. (FHA project mortgage applications increased mainly because of FNMA's assist to cooperative housing.)

The further drop in housing starts from July to August no doubt also is a reflection of money trouble although the drop is anything but alarming. A 1.1 million house year is still probable.

VA appraisal requests, however, showed a 7 per cent lift from July to August and a 22 per cent rise from August 1952. Other evidences of underlying changes in the financing market accumulated. Interest rates, as revealed by bond yields, sagged during August, although remaining substantially above those of a year ago.

Mortgage recordings hit a new high in July, with all types of institutions except commercial banks participating in the increase. Insurance company mortgage activity continued to expand, and from May to July the expansion significantly has extended to both FHA and VA loans, the volume of which in July was ahead both of June 1953 and July 1952. For the year, however, VA acquisitions remained about one-third below those for the first 7 months of 1952.

General economic conditions continued to be strong. Private construction activity during August rolled up figures exceeding those both of July this year and August a year ago, the slight drop in residential activity being made up by nonresidential and utility construction.

The rate of industrial production continued well ahead of 1952, although the July-August increase this year was less than last. Wholesale prices were very slightly off both on month-to-month and year-to-year comparisons, mainly because of drops in the prices of farm products. Department store sales kept pace with those a year ago.

# *President's Page*

## A Convention You Cannot Afford To Miss

PLANS for our 40th Anniversary Convention have been largely completed and members are assured of a worthwhile program. The distinguished speakers who will address the meeting comprise a group of some of the most prominent men in the country today.

During any period when the business thermometer is subject to abrupt and drastic changes, it is always extremely essential for representatives of business to keep abreast of conditions. This is true of our industry and especially now. In the light of our most recent experiences and in view of present conditions in the mortgage and housing fields, the time for a gathering of our industry could not be more propitious than that for which our 40th Annual Convention is scheduled. Coming as it does, immediately prior to the assembly of what many believe will be one of the most historic sessions of Congress, our 1953 meeting promises to be one of the most interesting in our annals and one of very vital importance to our industry.

Between now and January, legislation which is likely to influence our business for years to come is being formulated. Policies which will affect our livelihood are crystalizing in the minds of the leaders of the new Administration in Washington. They are giving the closest study to the effects and the long term possibilities of our "honest money policy" on the mortgage and building industries. In his State of the Union message next January the President may well enunciate policies which could go a long way in directing the course of these industries in the years ahead. Our convention will certainly be the time and the occasion for every mortgage man to secure an accurate and reliable analysis of conditions now and the prospects ahead.

Only those of our members who attend and whose observations are direct and first hand may obtain the maximum benefits from our meetings. Thus, it is particularly important for all of us to be on hand this year.

A very vital part of our convention will be the reports of our Committees, both those for 1952-53 which will be reporting on their efforts and accomplishments this past year and the new Committees for 1953-54 which will be outlining their plans and objectives for the new year. Especially significant for every MBA member will be the reports of our group which participated in the industry-wide discussions in recent months seeking to reach agreement on recommendations for our industry which can be proposed as a part of a new national housing policy.

As can be anticipated, our convention will not be all work. Many activities are being devised by way of diversion from such problems as fixed interest rates, the discount system and the one-for-one plan. This entertainment program will be interesting, refreshing and one every member will enjoy.

I hope you are planning to come and to help us make our 40th Annual Convention an outstanding success. I look forward with much pleasure to seeing you in Miami Beach in November.

Brown L. Whatley

BROWN L. WHATLEY, *President*
*Mortgage Bankers Association of America*

# The Hard Cold Facts About Future Business Prospects

By H. E. LUEDICKE

*The noted editor of the New York Journal of Commerce makes a realistic appraisal of the general business situation now and the prospects tomorrow. And unlike much of what you hear now, it is one of considerable optimism and hope—but also realistic.*

THERE are times when psychological elements and political developments, as far as business is concerned, are no less important than the underlying economic factors, at least for the short term or intermediate outlook.

We are in one of those times right now.

The basic fact of our political and economic life for the last three years has been the war in Korea.

However the termination of that war is not the only political and economic fact today.

Instead two additional new elements have been injected into the business picture: in both countries that today represent the two great antagonistic forces in the world there have been changes in political leadership: the orderly transfer of political leadership in this country from the Democratic to the Republican party and the tumultuous fight for political succession in Russia that started with Stalin's death and still is far from settled.

The chief purpose of Korea—from the Russian point of view—was to foster inflation in the free world, particularly in this country.

The chief aim of the Korean truce and the Russian peace offensive is to pull the rug out from under us and to throw our economy into a deflationary spiral.

Once the Russian leaders realize that this time they can't stampede us into helter-skelter demobilization, chances are that they'll do something that would have the effect of rekindling inflation here—because, from their point of view, continued inflation is almost as bad as a downward spiral for us—because both will ultimately weaken the economy from within.

We have not yet felt the full public and political pressure for a sharper reduction in defense expenditures. That will come when the Eisenhower Administration finds that it can deliver only moderately on its tax relief promises.

When that moment comes—and come it will—let us be on guard against those among us who will argue in effect that: "If you can't fool the Russians, let's at least fool ourselves."

Since the Truman Administration—back in 1951—set sail for an $85 billion annual budget and a $65 billion annual defense load, the defense program has undergone a number of changes—all of them in the nature of program stretchouts designed to distribute the defense load over a longer period and to avoid a sharp peak and sudden drop-off.

Thus far, the calculated risk involved in such a defense pattern has worked out well for the economy.

The defense effort is now running at an annual rate of $50 billion, give or take a few billions. Unless there is a deterioration in the international situation this rate is likely to prove the peak. The current rate is assured at least until mid-1954. Latest word from Washington is that the Defense Department is now concentrating its efforts on reducing its "non-productive" purchases.

Over the next two years security expenditures will gradually decline to an annual rate of $35 billion, or perhaps a bit lower.

That would appear to be just about as low as we can safely go—with world conditions what they are and the Russians playing with loaded dice.

Even if you say it quickly, $35 billion annually will remain a very effective cushion under the economy.

What this means in economic terms is that a very substantial amount of purchasing power will be created annually without an offsetting increase in the available supply of goods and services.

This is important.

It may be argued that a similar amount of purchasing power set free as a result of tax cuts would be economically sounder. This argument assumes that purchasing power set free by tax cuts will be immediately and fully translated into consumer buying or additional business spending for plant or equipment purchases. I find it difficult to accept this assumption all the way.

I believe that a parallel increase in purchasing power on the one hand, and goods and services on the other, would rapidly aggravate the problem of over-production that is confronting the economy now that we have suc-

ceeded in pulling off another production "miracle"—the accomplishment of a "guns-and-butter" economy, at least at the current cold-war—or as Nostradamus called it some 400 years ago—at the "half-war" level.

The accomplishment of such a guns-and-butter economy in three years is staggering to the imagination—and I am not using the term in the sarcastic sense that our Government now does not only have all the guns it needs for the moment, but also a lot of butter—as a result of its ill-designed farm price support policies.

Our productive capacity is now so huge that, without the purchasing power creation resulting from the defense effort, signs of over-production would by now be all-around us.

Even as matters stand, it took a record expansion in consumer credit—ever since the termination of Regulation W—to prevent an inventory accumulation even worse than the one we are confronted with now.

Yet this year again will set a new record for plant expansion as the total will possibly hit $30 billion—an utterly fantastic accomplishment.

There is no better indicator of approaching overproduction than the movement of commodity prices.

Overproduction is glaring—and has been for some time—in the field of agricultural commodities. Were it not for the repeated refusal of Congress to adjust the present unsound farm price support policies to something more realistic, two things probably would have happened by now: Farm prices would have dropped even further, but farm production would have been reduced to more manageable levels. Instead, $3 billion worth of farm surpluses already have been bought by the Government and the end is not yet in sight.

The recent farm vote in favor of wheat marketing quotas for the 1954 crop year has been heralded by many as a sign of returning sanity because the country's farmers, for the first time since 1941, accepted the principle that high price supports must be tied to restrictions on production and marketing.

Unfortunately, the wheat quota vote is not much more than a gesture because the "sacrifice" made by the wheat growers for the continuation of the 90 per cent parity support level next year is not going to hurt anybody seriously as the cut in acreage will largely be made up by higher yields on the authorized acreage allotments.

The decline in farm prices is hardly at an end because the price support program is bound to lose its effectiveness gradually. The reason for this is that the government must sell some of its farm surpluses.

While price declines during the past two years have been largely in farm prices and in those international raw materials whose prices had been run up speculatively after the outbreak of the Korean War, weakness is now cropping up in other sectors of the price structure as well.

Take used cars, for instance. Take them—because nobody seems to want them.

Nearly everywhere you look today, it's a question of too much of this, too much of that. Too much lead; too much zinc; too much copper; too much cotton.

The only "commodity" — if you want to call it a commodity—still scarce is labor.

Employment this summer exceeded 63 million by a substantial margin. And they laughed when a former Vice-President of the United States talked about jobs for 60 millions.

## This Is Where Business Stands Now

This, then, is where we stand at the moment: With the defense effort at its peak and business spending for plant expansion and modernization running at a record pace, jobs are at a new high. So is disposable income, and so is consumer income.

But we did not get there through growth by trial and error.

We got there as the result of a chain of events that added up to a period of fully 20 years of uninterrupted overstimulation.

During this period, first the public debt and, after the war, private indebtedness jumped by leaps and bounds. Everywhere we have borrowed from the future. Not only in the field of consumer buying, through the use of consumer credit that by mid-1953 exceeded $27 billion, but in the field of plant expansion as well.

It was inevitable that as the result of such a protracted period of overstimulation some cracks would sooner or later develop in the foundation of the boom.

Even before Malenkov started ruling from one corner of Stalin's throne, there was reason to believe that the stimulation from a constantly rising defense program, the plant expansion boom and the construction boom was due to diminish soon and that the level of consumer spending then would not long stay immune to such a change.

Impressive as the current boom is, thoughtful observers have long been aware of the fact that under the surface a number of vulnerabilities have been developing.

There are five potential trouble spots in the economy at present:

» The threat of industrial over-expansion;

» The threat of excessive inventories;

» The threat of declining farm prices and farm income;

» The threat of too rapid a rise in private indebtedness, particularly in consumer credit, and

» The threat of at least a temporary saturation in housing and durable consumer goods.

The fact that thus far none of these vulnerabilities has been brought into the open should not lull us into a false sense of security.

The Russian peace offensive could have touched off a decline — but didn't.

The change in economic policies outlined, right after the Eisenhower Administration took over, by Secretary of the Treasury Humphrey and Secretary of Agriculture Benson could have "triggered" some of the existing vulnerabilities—but didn't. They might have done it if the initial Republican moves in the field of credit and agricultural policy had not been reversed so quickly.

The trouble with the evaluation of the existing vulnerabilities is that there are no yardsticks on which the degree of vulnerability can be measured.

There is a good deal of sugar-coating now being done for the purpose of glossing over the existing vulnerabilities.

The two statistical methods or devices most frequently used to calm down our nerves are "ratios" and "intentions"; such as

» the "ratio" of one set of figures to another, and

» the "intentions" of businessmen or consumers to do this or that within a specified period.

My advice is to be extra leery if one or the other of these methods is pulled on you in order to explain what is going on in a company, an industry or the economy as a whole.

Of course, it is true that the ratio of inventories to sales, or the ratio of consumer credit to disposable income, today are favorable.

But the trouble with these ratios is that they usually look the best just before they turn sour.

Unfortunately, the sound ratios of today all too often turn into the headaches of tomorrow.

When it comes to housing and purchases of consumer durables, it is important to remember that consumers actually are so well supplied with durables today that they could easily postpone such purchases for a while. This is true particularly because the rate of family formation has been cut down to almost half of what it was a few years ago and will remain relatively low for several years to come.

The 1953 consumer buying spree was, of course, generated to a large extent by the rapid increase in consumer credit.

There is a different side to this picture, however. Consumer credit is now reaching a level where monthly repayments and new credits are pretty much in balance. Soon repayments may top new loans—and when that happens, you have the beginning of a new deflationary element in the picture.

It is true enough that liquid savings are very high and rising spectacularly. However, only about half of the existing families are saving. Some of them, no doubt, are saving with the idea to wait for good buying opportunities—when prices are lower. This type of buying helped a lot to end the 1949 inventory recession.

But that was an extremely mild recession. It seems to be taking a lot for granted to rely on the same type of rescue operation again — if and when we enter another inventory "adjustment period."

The picture at the moment, then, is one of a boom still running under a full head of steam—but of a boom that is the result of 20 years of overstimulation—and of a boom that, as a result of this over-stimulation, has developed five distinctive vulnerabilities under its surface.

Plant expansion has proceeded uncomfortably fast.

Private indebtedness has risen uncomfortably fast.

Inventories look uncomfortably higher, particularly as signs are increasing that finished goods are backing up in the hands of manufacturers.

The decline in farm prices and farm income is uncomfortably persistent—and is likely to continue.

The drop in family formations throws an uncomfortable shadow over the prospect of construction and sales of most consumer durables.

In one word, all this adds up to a pretty uncomfortable picture.

## The Warning Signals Are Already Up

From the standpoint of pure economics, the warning signals are up—definitely so.

But—and this is indeed a big BUT—we are not living in an era of "pure economics."

It would be shortsighted indeed to ignore these warning signals—but it would easily prove just as shortsighted to get panicky by them.

We may as well get this straight: if the right combination of unfavorable numbers in these five vulnerable fields comes up—we'll be in trouble. And it would not just be a case of minor trouble, such as in 1948-1949.

But, unfortunately, there is no way of telling in advance what this combination is.

There is no single signpost, nor a group of signposts combined, that promises to give us a reliable tip-off on an approaching downturn in business.

The President's chief economic adviser, Dr. Arthur F. Burns, reportedly has his eye peeled for seven economic indicators which, taken together, would foretell trouble. In his opinion, the combination that probably would mean trouble is as follows: If the volume of stock trading and stock prices moves down; the liabilities of business failures go up; new security offers and construction contracts drop; the turnover of bank deposits slackens and the bank clearings in New York City—though not at first in the rest of the country—become smaller.

By watching these indicators, as a group, Dr. Burns hopes to recognize trouble before it actually strikes.

Quite frankly, the present picture as mirrored in the Burns formula—if one might call it by such a fancy name—looks barely fair at the moment, but not yet outright gloomy.

But even if the strong upward push that was in evidence through the second quarter is not resumed promptly—and I don't believe that it will be—a serious business decline does not seem imminent at this time.

I do believe that one of these days the present boom will come to an end—and not without considerable transition pains.

But this point probably will be preceded by a lengthy period of gradual decline—and probably by another upward dash—although I must admit that this is still a rather tentative conclusion on my part.

There are several reasons for my belief that nothing explosive is imminent at this time. Here are some of them:

» The "momentum" which has carried the economy along—consisting of a combination of defense program, plant expansion boom and construction boom—is not likely to run out of gas suddenly.

*(Continued on page 38)*

*Not everyone thinks the present monetary policy is sound. In Congress, in labor, and in other quarters some believe that our*

# "HARD MONEY POLICY IS UNWARRANTED"

*among them that monetary authority from the days of easy money and inflationary trends*

## MARRINER S. ECCLES

THE objective of our democratic capitalistic society is to maintain maximum employment and production within the framework of a stable economy.

To achieve such a condition requires that there be at all times an adequate supply of money in the hands of those who will use it in relationship to the goods and services available to the market. This would avoid the excesses of both inflation and deflation which we have witnessed during the past 20 years and thus provide a money having a uniform or steady purchasing power which is the best definition for sound money.

These excesses can be avoided only by intelligent management and use of our money supply through a fiscal policy on the part of the government, and a monetary and credit policy on the part of the Federal Reserve System, such policies timed to meet the conditions necessary for maintaining production and employment on a basis of economic stability.

Commercial bank credit, either public or private, is the source of our money supply. Such credit, however, is dependent upon the availability of Federal Reserve Funds.

During the war and postwar period the amount of money in the hands of the public grew much more rapidly than the goods and services available to them. The inflation thus created during and since the war, or the cheapening in the purchasing power of the dollar, was brought about by the large amount of bank financing of government deficits during the war period as well as the huge growth of private bank credit since 1946, especially in the consumer and housing mortgage credit fields.

However, the growth in the supply of goods and services pretty largely caught up with the growth of the supply of money about a year ago, so that the cost of living or average price level has been relatively stable since that time, with a slight downturn since the end of the year. As a matter of fact, the growth in the supply of money or demand deposits and currency for the first quarter of this year,

> ***Eccles thinks "the thought of returning to free money and capital markets under present conditions of heavy Treasury deficits is as unrealistic and as impractical as was the policy of maintaining a pegged government security market."***

as compared with the same quarter a year ago was about 3 per cent, whereas the growth in the total production for the same period was more than 5 per cent. A growing and dynamic economy like ours must have an expansion in the money supply comparable to the growth in the national product to prevent deflationary conditions. We should no more put a ceiling on our total money supply than upon the total production and employment.

In the light of this development the tight or hard money policy pursued by the Federal Reserve and Treasury during the first five months of the year, in my opinion, was unwarranted. During this period, largely as a result of this policy, demand deposits and currency declined $4½ billion and reporting banks reduced their holdings of government securities and loans thereon by $4.7 billion. Further effects of this policy were to substantially increase interest rates and bring about a sharp decline in the price of government securities, which greatly unsettled the government security market, thereby increasing the problem of managing the public debt.

It should have been obvious that this policy which events had made largely unnecessary could not be continued very long because of the need of financing an $8 to $9 billion cash Federal deficit during the last six months of this year, as well as the need of financing the large crop movements and inventory and currency requirements brought about by the fall and holiday trade amounting to $3 to $4 billion. This made a total of $12 to $13 billion of new money to be raised during the last six months of the year.

It was, therefore, no surprise when the tight or hard money policy was discontinued in June. It was apparent that the only way in which this essential government and private financing could be satisfactorily provided was by the necessary Federal Reserve credit being made available to the banking system. This could be done in one or a combination of three ways: (1) Purchasing government securities in the open market;

(2) The Federal Reserve banks lending to the member banks; (3) Reducing reserve requirements of the member banks. Three billion dollars of such Federal Reserve credit was nessessary to provide the essential government and private financing through the banking system. This should have been provided by the Federal Reserve buying the necessary amount of Treassary bills each week in the market at a price to yield from 2⅛ per cent to 2¼ per cent, slightly above the discount rate of 2 per cent. In addition, the Federal Reserve banks should loan freely to member banks who are not expanding mortgage credit or consumer credit, which are already excessive.

The Federal Reserve chose to provide nearly $1¼ billion of the necessary credit by reducing reserve requirements of member banks. This I believe was a mistake as such action should be used only at the beginning or during a deflationary period, dramatically indicating a reversal of monetary policy. At such a time it is desirable to put excess reserves in all of the member banks of the country creating easy money thereby putting them under pressure to stop contracting credit and thus the supply of money.

### *It's "Unrealistic"*

Recent experience should make it apparent to the Treasury and Federal Reserve that it is unrealistic to create a tight money market and at the same time undertake to raise new money by offering either long-term or intermediate government securities, or refund short-term debt into longer term securities in an unsupported or free market. The idea of the free or unmanaged money market was supposed to go out in 1913 when the Federal Reserve was created. The thought of returning to free money and capital markets under present conditions of heavy Treasury deficits and refunding is as unrealistic and impractical as was the policy of maintaining a pegged government security market.

The public debt is altogether too large in size and its influence on our supply of money and the stability of our economy is too dominant to permit the Federal Reserve to abandon its responsibility of managing the government security market so as to meet the fiscal requirements of the government as well as the monetary needs of our growing private economy.

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## Life Firm Realty

With the purchase of $79,000,000 of real estate in the first half of this year, the life insurance company realty holdings rose to $1,935,000,000 at mid-year, the Institute of Life Insurance reports. Over half of this was commercial and industrial rental properties and nearly a fourth was rental housing. The mid-year figures follow:

| | —Acquired— June | 6 Mos. | June 30 |
|---|---|---|---|
| | (000,000 Omitted) | | |
| Farm | $— | $— | $ 16 |
| Company-Used | 3 | 11 | 415 |
| Rental Housing | 1 | 4 | 448 |
| Commercial Rental | 11 | 62 | 1,030 |
| Other | — | 2 | 26 |
| Total | $15 | $79 | $1,935 |

# HAS CONSTRUCTION *Been Running Ahead of Other Growth?*

IS THE boom in construction and production of capital goods, which has been under way since the end of World War II, running ahead of the expansion of the economy?

That question is attracting increasing attention, and it has a direct bearing on the outlook in view of the fundamental importance of these privately-financed activities to continued prosperity and economic growth.

It is instructive, under the circumstances, to look at the record for any light it may throw on the current situation.

The figures show that the present boom in construction and capital goods is the second in three decades. There was a comparable one throughout the Twenties, taking into consideration the difference in the size of the economy between then and now. This was followed by a prolonged letdown lasting for a decade and a half, all through the Thirties and during the entire period of World War II as well. In only few of these years did the activity in building and capital goods in the aggregate approach proportions that might be regarded as normal.

The present boom got under way in 1946, and it has been going on with increasing momentum ever since. National defense needs as the result of the Korean aggression in June, 1950 provided an added impetus in the last three years. New private investment in construction and producers' durables combined have averaged more than $45 billion a year since 1950, according to data of the U.S. Department of Commerce. Last year saw record outlays of nearly $49 billion for these activities.

Such figures are without parallel. Total expenditures for construction and capital goods never touched the $40 billion mark in the Forties, and the comparable figure for 1929 was less than a third of the present level. Thus the question of how long expenditures of the current magnitude will continue is natural under the circumstances.

But dollar totals alone are only part of the story, particularly in view of the inflationary trend of prices in recent years.

A factor of primary importance as far as the outlook is concerned is the long period of subnormal private investment in construction and capital goods from 1930 through 1945, combined with the fact that the nation's production machinery was used more intensively than ever before during the last war. Obsolescence has therefore been abnormally high, especially in view of the technological progress of recent years.

This is evident in a special study of the situation in producers' goods made by the Department of Commerce. This study estimates that a total of $67 billion producers' durable equipment, valued in current dollars, was discarded in the 1942-52 period. This figure represents about 46 per cent of the estimated $145 billion spent on producers' durables during these years. For 1952 alone, the figures indicate that about three-quarters of the year's expenditures for such equipment were for replacement.

The Department of Commerce estimates that around one-third of the present stock of producers' durables is still of an average age of 10 years or more. Considering the return of keen competitive conditions in more and more lines and the need for keeping production costs down, this figure thus indicates that the obsolescence factor in producers' durable goods is still important as far as the outlook for such expenditures is concerned.

As to other elements in the current situation, the American economy has been displaying a dynamic growth trend. It is now more than three times bigger than it was in the Twenties, measured in gross national product. The population is about a third larger, and total buying power and living standards are very much

*(Continued on page 30)*

Convention MBA Chronicle

VOLUME I, No. 3 MIAMI BEACH, FLORIDA OCTOBER, 1953

*Published to Promote the Best Interests of Those Attending the MBA Miami Beach Convention November 9-13, 1953*

# 40th Seen as Largest MBA Meeting

BY ALL the yardsticks of the past, this year's Mortgage Bankers Association of America annual Convention ought to be the largest in the Association's forty years—larger in attendance, larger in *amount* of convention, larger from the program standpoint because of the group of distinguished men who will address the meeting and certainly larger in the more things for members to do and see in their time away from the Convention.

As of mid-September hotel reservations had been made for approximately two thousand people—a clear indication that it was a fallacy to believe that taking the Association away from the customary beaten paths would cut attendance materially.

Most immediate problem for MBA members who have not already acted is to complete their Convention arrangements at once — this to assure the hotel accommodations they want at our more than twenty excellent hotels on the Collins Avenue ocean front and also to get their advance registration in so that their names and firm affiliations will be properly shown in the advance list to be distributed before the opening of the meeting. The deadline for getting on this list will be October 19 and if your advance registration is not in by that time it cannot be shown in this preliminary list, but will appear in the lists issued after the Conven-

*Here's where you're headed for November 9 to 13, midtown Miami Beach on the ocean. Off to the left is Miami and in the center is the Miami Beach Municipal Auditorium where MBA Convention sessions will be held. In the background are the man-made islands across which the Venetian causeway hops to the mainland.*

*If golf's your dish, Miami Beach is the place to get in a lot of it. Bring your clubs.*

tion opening. That will be useful to you, of course, but it will not have quite the value you get from being shown on the advance list. Members should also, in sending advance registrations, be sure to indicate the *name of the hotel* to which they have been assigned.

**›› OUR 40th YEAR:** 1953 is an anniversary year for MBA, marking the end of four decades of the organization and its predecessor, the Farm Mortgage Bankers Association—the story of which was partially told in the last issue of *The Mortgage Banker*. A few of those who were active in the early years of the Association will be in Miami Beach for the anniversary celebration, but the one man who was active in the initial organization and later headed the Association, O. M. Corwin, Minneapolis, will not be able to attend.

*This could be any day in Miami Beach. Coconut palms grow almost to the high-tide line.*

Most significant thing to report about MBA's Miami Beach Convention is the high quality of the program which the Convention Committee has arranged, containing, as it does, discussions of just about everything the mortgage banker is principally interested in at the moment with all subjects handled by men recognized in their fields.

**›› THE PROGRAM:** At the five sessions being held on the five Convention days (remember, it's one session a day, 9:30 a.m. to 1:00 p.m.) members will hear:

**Captain Eddie Rickenbacker,** Chairman of the Board, Eastern Air Lines, Inc. and one of America's greatest flyers and most respected businessmen.

**W. Randolph Burgess,** deputy to the Secretary of the Treasury.

**Congressman Jesse Wolcott,** chairman, House Banking and Currency Committee.

**W. Walter Williams,** Under Secretary of Commerce, one of the country's leading mortgage bankers, former President of MBA and recently named liaison officer for the President with the federal executive agencies.

**Hon. Spessard L. Holland,** senior U. S. Senator from Florida, one of the key figures in the upper house of Congress.

**Albert M. Cole,** Administrator of the Housing and Home Finance Agency and a distinguished former Congressman from Kansas.

**Guy T. O. Hollyday,** Commissioner of the Federal Housing Administration and also a former President of MBA.

**T. B. King,** Director of the Loan Guaranty Service of the Veterans Administration.

**Earl B. Schwulst,** President of Bowery Savings Bank, New York.

**Dr. Raymond Rodgers,** Professor of Finance, Graduate School of Business Administration, New York University.

**Brown L. Whatley,** MBA President and President, Stockton, Whatley, Davin & Company, Jacksonville, Florida.

**W. A. Clarke,** MBA Vice President and President, W. A. Clarke Mortgage Co., Philadelphia.

**Miles L. Colean,** Washington, D.C., housing consultant and economist.

**Samuel E. Neel,** MBA General Counsel.

## To Address Convention

**W. Randolph Burgess**

An addition, and a very important one, to MBA's Miami Beach Convention program is W. Randolph Burgess, deputy to the Secretary of the Treasury, and who can be described, without exaggeration, as one of the really key figures in the new government. He's one of the world's best known bankers and one of its most competent fiscal authorities. His record of public service isn't beginning with his present assignment. In World War I he was with the War Industries Board. He later was with the Federal Reserve Bank of New York. In 1938 he joined the National City Bank of New York. He has held directorships in many banks and corporations, has written extensively on fiscal subjects. He's been president of ABA.

In Miami Beach he will speak on the government's present monetary policy.

**>> WE'LL DISCUSS:** From this group of speakers, MBA members will hear the questions that are of most importance to them now—the significance and meaning of our present monetary policy, where it is leading us and the prospects ahead; what is likely to be our new housing policy as the result of the studies which have been made this year under the supervision of Mr. Cole; government's role in housing and housing financing and whether we can anticipate any significant change; the supply of investment money in the immediate period ahead, where it's going principally and why, and how a larger amount might be diverted back to mortgage financing.

These—and all the other questions that loom importantly for us now—will get a critical analysis at Miami Beach.

**>> FUN SIDE:** As could be expected at this first MBA Florida Convention, there will be considerable emphasis on the fun side. Miami Beach is the nation's great playground with the best in fun and pleasure awaiting our members in this tropical wonderland.

An extra dividend of summertime will be ours in Miami Beach. While other areas may be experiencing the first taste of winter, our 1953 Convention spot should provide weather balmy enough for swimming, sunbathing, fishing, boating, golf and other outdoor amusements. Daily temperatures during November average 72.3 degrees, frequently reach into the 80's. Evenings are mild enough for watching night-time college football games in comfort.

Most of the hotels MBA members will stay in have been built since World War II. Many of them are within easy walking distance of the $2,000,000 Municipal Auditorium where Convention sessions will take place.

Here guests have the benefit of luxurious accommodations in oceanfront structures, many with private beaches as well as colorful cabana colonies equipped with swimming pools, tiled lounging terraces and modern dressing rooms.

In addition, Miami Beach provides some two miles of public sands including seven picturesque oceanfront beach parks dotted along the ocean shoreline.

**>> SOME FISHING?** Another of Miami Beach's attractions, as appealing in November as at any other time, is fishing. Whether visitors are amateur anglers who merely want to catch a fish, or experts who know the finer points of light-tackle, Miami Beach can offer them some exciting sport in both bay and Gulf Stream waters.

Those who seek a tussle with sailfish, marlin, dolphin, bonito or other such gamesters, will plan on a deep-sea trolling excursion in one of the 50 or so charter cruisers docked here. While the rates of $70 a day or $40 a half-day might seem high at first, this may be divided up among a party of four or six to make for a moderately-priced fishing trip.

Those who like to combine a little sightseeing with a fishing trip will prefer one of the larger craft which accommodate from 25 to 50 passengers on four-hour excursions through bay and reef waters, priced around $3.

For the sightseer proper, there are delightful daily cruisers through Miami Beach's tropic, inland waterways, as well as bus and automobile trips farther afield. On these rides the visitor has a chance of viewing citrus groves, pineapple plantations, rare bird and animal preserves and also the Everglades National Park with plant and wildlife unique in the nation.

**>> SOME GOLF?** Miami Beach also provides full facilities for golf or tennis. Two city golf courses, Bayshore and Normandy Shores provide excellent 18-hole layouts, as well as complete clubhouse facilities for visitors. Greens fees will be complimented to delegates during the Convention. We'll also have our own tournament at La Gorce Country Club.

Added to all this, Miami Beach makes particular appeal to the shopper interested in new styles. This is the city where most resort wear is previewed during Fall and Winter. Consequently, any clothing purchases made by Fall visitors while here are likely to be in fashion's forefront for the next six months after they return home. Exclusive shopping sections include Lincoln Road, within a block of the Auditorium, 41st Street and the 71st Street area.


*This sailfish lived in the Gulf Stream until this little lady got him. You might get one like it.*

Most suitable clothing for November wear in Miami Beach comprises just about what visitors would wear during summer back home with the addition of a light wool wrap to ward off evening breezes. Men will find that sports attire, with the addition of lounge suits for evening, will be suitable wear for most occasions.

**>> AFTER DARK:** After-dark, Miami Beach offers a glittering assortment of activities. Visitors can try

*Royal palms dominate much of the beautiful landscape of Miami Beach in America's tropics.*

out exotic foods in some 400 eating establishments ranging from exclusive restaurants set in open-air patios or on oceanside terraces to regulation cafeterias and eateries. They can go night-clubbing, enjoy symphony concerts, or attend free outdoor entertainments at the city's community center. They can dine and dance within sight and sound of the ocean.

**» 14th EXHIBIT:** Another interesting feature of MBA's 40th meeting is its 14th annual Exhibit of Building, Industry and Service. This phase of MBA's annual meeting is becoming more important with each passing year as mortgage bankers expand their operations into other fields, become more cognizant of the need of efficient and economical servicing and, in general, feel more closely identified with the building industry and the type of equipment and appliances which it uses for the homes which lenders finance. This year the exhibit will be in the foyer of the Municipal Auditorium and among the exhibitors will be:

Carrier Corporation
General Electric Company
Briggs Manufacturing Company
National Homes Corporation
United States Steel Homes
Westinghouse Electric Company
American Gas Association
Midwest Houses
York Tabulating Company
Portland Cement Association
Hartford Fire Insurance Company
Tucson MBA
F. C. Russell Co.
Investors Diversified Services
General Electric (Air Conditioning Division)
Financial Publishing Company

Members will be well advised to schedule adequate time at the Convention to inspect all the exhibits. They are compactly arranged and each exhibitor has a product or a service which has appeal for every one who will be attending.

**» SOCIAL EVENTS:** These have been getting heavier and heavier in recent years and it was not to be expected that in Miami Beach (of all places!) they would be any lighter. Life insurance companies, other investors, banks and other organizations have been competing among themselves to schedule receptions, luncheons and dinners, all naturally wanting to get a good time for their event. These affairs will be properly publicized at the meeting and it is a good idea for members to note everything they are going to attend right after they get to Miami Beach so they'll not find themselves scheduled for two things at once.

**» GOING TO AND FROM:** Miami Beach is a big place. Collins Avenue, where all the million dollar hotels are, fronts the ocean and runs for miles. Our more than twenty hotels are grouped rather closely together but they are still some distance from the auditorium. Special buses will get us to and from the sessions so there'll be no problem on transportation.

# The Other Side of FLORIDA

THE Florida of vacations, the land of sunshine, beaches and swimming pools, of America's tropical climate, of fishing, of everything that means fun and pleasure—this is the Florida that everyone knows best and this is the Florida that has received the attention in these pages in recent months as THE MORTGAGE BANKER has sought to high-light for you things to do and see while you're attending the 40th annual MBA Convention in Miami Beach, November 9 to 13.

But there is another Florida, not quite so glamourous as they say, but no less interesting and just as important. It is the Florida of industry, of expanding agriculture, of increased manufacturing. It is the Florida of steady, consistent growth of population, the Florida that has become one of the key states of the 48, the state that has enjoyed a transformation such as almost no other has in this generation.

The figures about Florida are impressive, any way you look at them. And there are a lot of big plus signs in the statistics of how Florida has grown. What other state can match, for instance, these gains in the 1940-50 decade—and, of course, brought up to 1952, they would even be more impressive:

| CATEGORY | GAIN |
|---|---|
| Population | 46% |
| Individual income | 275 |
| Wages, salaries | 274 |
| Income from livestock and products | 346 |
| Retail sales | 357 |
| Postal receipts | 139 |
| Electric production | 315 |
| New construction | 200 |
| Revenue collection | 687 |
| Bank resources | 302 |
| Per capita savings | 237 |
| Life insurance | 216 |
| Telephones | 182 |
| Car registrations | 94 |
| Commercial fish catch | 603 |

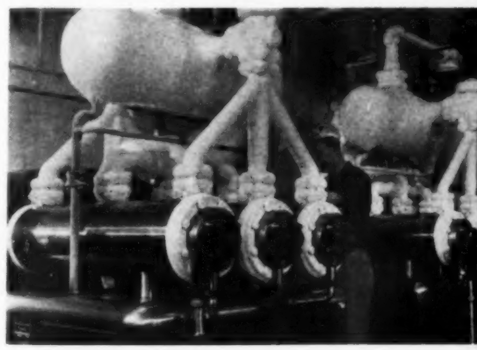
How does Florida do it? A close analysis shows that the state has the advantages which Floridians claim for it. It has the climate, of that there can be no doubt—that's why the tourists come in increasing numbers. But it's also why manufacturing is coming too because operating costs can be cut. The state has a good labor supply. In virtually every field, Florida is moving ahead at a rate far greater than the rest of the nation. New markets are provided by its rapid increase in population, up 46 per cent since 1940; more buying power is assured by its rising income, up 275 per cent in the past ten years. In other major categories, from automobile registrations to electric production, Florida's gains are well ahead of the national average.

Floridians say they have the finest climate in the world—for people and for industry. The state has no state income tax, no bonded debt, no inheritance tax, and no state ad valorem tax. These things have appeal. Small wonder then that it is the fastest growing state east of the Mississippi!

Florida's population gain is more than twice that of the next ranking Southern state and more than double the national average increase of 14.5 per cent. Florida's population has grown by 874,305 in the past ten years—the equivalent of an entire new metropolis. The Census Bureau estimates that Florida's present population is 2,771,305.

The total of manufacturing concerns in Florida has grown 52 per cent since 1939, and now totals more than 4,000. In 1950, manufacturing plants in Florida had a payroll of $234,-000,000 — making them the state's second largest private employer group. Florida's business growth closely parallels its population increase. Florida ranks first in the nation in new businesses incorporated, gaining 71 per

*It isn't generally appreciated that Florida is one of the country's largest cattle producing states.*



*Florida's citrus industry is one of its greatest but mechanization is making it even larger.*

*North central Florida has become the South's largest producing area of the Irish potato.*

*Florida's phosphate fields now produce 78 per cent of nation's supply.*

*Fuller's earth is one of North Florida's important mineral products.*

*Tampa, the largest and most important industrial city on the West Coast.*

*Florida State University is one of the five great centers of higher learning.*

cent in a five-year period.

Income payments for the United States in 1930-51 increased 196 per cent; for the Sixth Federal Reserve District 384 per cent; for Florida 499 per cent.

Business firms from 1944 to 1951 increased 33 per cent in the United States; 50 per cent in the Sixth District; 89 per cent in Florida. There were 91,200 business firms operating in Florida in 1951.

Retail sales increased in the United States between 1929 and 1948 by 170 per cent; in Florida by 373 per cent.

From 1940 to 1952 bank debits (money checked out of banks and spent) for the Sixth District increased 343 per cent; in Florida 429 per cent.

Bank deposits for the same period increased 266 for the Sixth District; 361 per cent for Florida.

Bank loans in the same period increased 233 per cent for the Sixth District; 334 per cent for Florida.

Investments by member banks in the Sixth District increased in the same period by 447 per cent; in Florida by 605 per cent.

Since one of this nation's foreign markets is Latin America—and one sure to become far more vital in the years ahead—Florida is so located that it will become an even more important gateway to our Southern neighbors than it is now. Within an overseas radius of 1400 miles of Florida are more than 50,000,000 people, who annually spend over $2,000,000,000 for U. S.-made products. All markets to the south are close. Havana, for example, is only 213 miles from Miami, while Tampa is closer to Venezuela than to Minnesota. By air, metropolitan centers in Latin America are even closer—and there are frequently-scheduled flights, both for freight and for passengers, through the 21 busy air terminals in Florida.

In one recent year, three Florida cities—Miami, West Palm Beach and St. Petersburg—handled 48 per cent of the nation's aerial exports, based on dollar value; 58 per cent of aerial imports, based on weight.

In 1950, Florida ports handled $19,300,000 worth of cargo in foreign trade—a twenty per cent greater amount of cargo than was handled during 1949. With 14 deep-water ports and many excellent harbors, on both the Atlantic and Gulf coasts, Florida ranks first in the Southeast in terms of water-borne commerce. No point in Florida is more than 85 miles from one of the state's completely-equipped deep-water ports.

But always you get back to Florida climate and there's more to it than most people realize. Florida's world-famous climate benefits industry in many ways—and this is important to an investor. It means lower con-

*Florida's attractions seem endless to those who live in the other 47 states. None of them intrigues more than the Overseas Highway along the Keys to the nation's southernmost city, Key West. This view shows the road crossing Pigeon Key, the world's smallest publicly inhabited island. Below, an indication of another Florida industry, fishing. Great shrimp fleets bring their hauls into the Gulf Coast ports. They cruise the Gulf as far south as the coastal bays that flank central Mexico. They bring in millions of tons of shrimp that are whisked immediately to northern markets in great caravans of refrigerated trucks.*

struction costs, because there is no need to "winterize" buildings. Heating bills in winter are almost negligible. It's generally cooler in Florida in Summer than in many other parts of the nation. Surrounded by water, and dotted with numerous lakes, Florida Summers are blessed by cooling breezes. Severe heat waves are unknown. The mean annual temperature is 70.9°, with a January average of 56.6° and a July average of 84.5°.

Home construction, as MBA members will see for themselves next month, has made an amazing record in Florida, even in this period when it's been booming everywhere. Home owners receive a special benefit from Florida's tax structure; no taxes are levied on homes, occupied by the owner, up to a value of $5,000, except special assessments.

Yes, there's another side of Florida, another Florida; and next month when the mortgage industry of the country gathers at Miami Beach amid the most exotic and colorful surroundings in the Hemisphere, this other Florida will be competing for attention. It's the Florida of substantial permanent growth, the Florida of investment opportunity, the Florida of long-term stability.

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## We Need Decontrol of Mortgage Industry

The confusion and disorder which persists in the mortgage industry is still traceable to the government's refusal to take a realistic viewpoint on interest rates, President Brown L. Whatley said in recent Florida addresses. We can expect to enjoy a good business in the immediate future "if constructive legislation comes about," he told some 150 Central Florida realtors in Orlando.

He said the "most significant encouragement for good business is the spirit of realism now noticeable in the government. We can't see the ultimate outcome, but we should be highly gratified to see the government out of business and free enterprise returning."

(Continued on page 38)

# Another Year of Growth for MBA

THE 1952-53 membership year closed August 31 with 215 new member firms in the Association, one more than the 214 accepted in the previous year. Total membership as of August 31 was 1992—right at the 2,000 mark—as compared with 1853 in the preceding year. As for applications for membership submitted, Texas led (it also has more MBA members than any state) producing 23, followed by Virginia with 18, New York with 17 and California and Georgia tying for next position with 15 each. Florida was next with 12 and Louisiana had 11.

Robert Tharpe

It was one of the most systematic and careful membership campaigns undertaken with a thorough analysis of all eligible member classifications made and each one closely canvassed. The committee, headed by Robert Tharpe of Atlanta, was one of the largest yet set up and, says Mr. Tharpe, certainly one of the most co-operative and hard-working. If the time and effort which the membership committeemen put forward this past year is indicative of the regard which members generally have for their trade organization, then it must be very high indeed, Mr. Tharpe commented at the close of the campaign.

It's no secret of course that the record might have been far more impressive as far as numbers go had not a strict membership requirements policy been in force. Qualifying an applicant for membership is the job of the Membership Qualifications Committee headed by John C. Hall of Birmingham. Every applicant had to be carefully screened and investigated. The extent of the participation of each in some phase of mortgage lending had to be determined and if it fell short, rejection was automatic.

But what would impress the average member is the highly complicated—and time-consuming—process which begins when the applicant fills in his application. And often the process before that takes considerable time and effort! But after it starts through the processing procedure, every fact that may have a bearing on eligibility is carefully considered.

New members just being admitted to MBA include:

ARIZONA—*Tucson:* Valley National Bank, Frank R. Guthmann, assistant vice president.

ARKANSAS—*Little Rock:* Kansas City Title Insurance Company, 214 Louisiana St., O. M. Young.

COLORADO—*Denver:* Beneficial Mortgage Corporation, 803 Security Bldg., Ralph E. Fitzsimons, president.

CONNECTICUT—*Hartford:* Society for Savings, 31 Pratt St., E. H. Burkle, vice president.

FLORIDA—*Orlando:* Stockton, Whatley, Davin & Company, 107 East Amelia Ave., Shelby C. Spears, manager; *St. Petersburg:* West Coast Title Company, 526 Central Ave., R. G. Smiley, president; *Tampa:* Gibbons & Gibbons, 918 First National Bank Bldg., Gunby Gibbons, attorney.

GEORGIA—*Atlanta:* Miller-Terrell Company, Inc., 1017 Grant Bldg., Lawton Miller, president; *Columbus:* The Fourth National Bank of Columbus, N. A. Stokes, vice president; *Rome:* Harvey-Given Company, Sixth Avenue Bldg., Sam W. Doss, Jr., vice president.

HONOLULU, T. H.: American Factors, Limited, 745 Fort Street, Harold C. Eichelberger, treasurer and secretary.

IOWA—*Ottumwa:* Fidelity Savings Bank, Donald M. Rowe, president.

MARYLAND—*Baltimore:* Kansas City Title Insurance Company, 21 South Calvert St., Murray L. Jones, vice president.

**1992 NOW**

**It will be**

**2000**

**by**

**Convention Time**

MASSACHUSETTS—*North Attleborough:* The Attleborough Savings Bank, 48 N. Washington St., Charles S. Nims, president.

MICHIGAN—*Detroit:* Irving Rose c/o First Mortgage Corporation of Detroit, 1139 Penobscott Building.

MISSOURI—*Kansas City:* The Columbia National Bank of Kansas City, 921-23 Walnut St., William F. Brown, assistant cashier.

NEW JERSEY—*Avon-by-the-Sea:* Bankers Mortgage Company, Main Street.

NEW YORK—*New York:* William F. Joseph Company, 110 Washington St., William F. Joseph, Owner; Union Dime Savings Bank, 1065 Avenue of the Americas, Ross D. Hill, assistant vice president.

OKLAHOMA—*Oklahoma City:* American Mortgage and Investment Company, 101 First National Bldg., B. B. Bass, first vice president.

TENNESSEE—*Nashville:* Kansas City Title Insurance Company, S.W. Corner 3rd and Union, E. B. Walton.

TEXAS—*Fort Worth:* Kansas City Title Insurance Company, 812 Houston St., Jack Rattikin; *San Angelo:* Figuers Mortgage Company, 800 McBurnett Bldg., Norfleet Figuers, owner; *San Antonio:* National Bank of Commerce of San Antonio, W. A. Lemke, vice president.

VIRGINIA—*Arlington:* Bogley, Harting and Hight, Inc., 1430 N. Uhle St., Joseph J. Mahoney, Jr., vice president.

Name changes in MBA include:

Evans, Mills & Co., Inc., to EVANS, MILLS & CHAPMAN, INC., Birmingham.

Spain, Gillon, Grooms & Young to SPAIN, GILLON & YOUNG, Birmingham.

Jones and Murray to JONES, MURRAY AND STEWART, Montgomery.

Southeastern Mortgage Brokers to GEORGE W. LUBKE, INC., Daytona Beach.

Jay Hearin, Inc., to J. L. HEARIN, Tampa.

Mullins and Arvin to LAW OFFICES OF RICHARD F. MULLINS, Wichita.

Gravois Bank of St. Louis County, Mo. to GRAVOIS BANK, St. Louis.

Franklin Mortgage & Title Insurance Co., to FRANKLIN CAPITAL CORPORATION, Newark.

J. I. Kislak, Inc. to J. I. KISLAK MORTGAGE CORPORATION, Jersey City.

McDonald Realty Company to McDONALD MORTGAGE CO., INC., Charlotte.

# MORTGAGE LENDING *at* *the* CROSSROADS

*A working mortgage man takes a look at the business, at the uncertainties it has experienced these past two years and then what's likely ahead for the industry. His conclusion: the worst is behind us*

**By GEORGE W. WARNECKE**

***President, George W. Warnecke & Co., Inc., New York***

THIS is a time when the investor in mortgages is in an unenviable predicament. His situation is not unlike that of a man who has to work with pick and shovel while intermittently keeping an ear to the ground to catch the distant rumblings of an earthquake.

On the surface, mortgage lending is in its Golden Age.

The constant reiteration of phrases such as "lenders' market," "tight money," "hard money policy," strengthens the bargaining position of the lender psychologically, if it should still leave anything to be desired economically. Interest rates are high and expected to go even higher during the second half of '53. There is no dearth of well-located, substantially constructed real estate projects on which profitable loans can be made.

If the market should be headed for a crash, the statistics certainly don't show it.

Construction expenditures during the first six months of 1953 totaled an all-time record of nearly $16 billion, 8 per cent higher than last year. Total housing starts for the first five months were still above last year's, although May starts showed a slight dip and missed the expected seasonal increase. Insurance companies made more mortgage loans than last year. All institutions increased their $20,000-or-less mortgages 12 per cent during the first five months compared to last year's.

Yet we look in vain for the confidence and self-assured initiative such favorable signs should inspire among our lenders. They continue to follow traditional policies with resigned acceptance when the future looks bright, but become apprehensive and nervous —withdrawing from projects just launched, switching to something else, or coming to rest entirely—when they perceive the slightest symptom of change in the present pattern.

That was the situation with some lenders late last year when it was believed that greater economy-mindedness of the new Administration would coincide with a slackening of defense spending, increasing unemployment, declining production, and a general saturation of the real estate market.

That was the case again earlier this year when the first signals of a more conciliatory Russian attitude, sparked by the news of Stalin's death, led many to believe the whole face of our economy would have to be plowed upside down to make way for a conversion to a status of peaceful coexistence.

And that was true again, in recent weeks, when the lower echelons of the mortgage market were partially paralyzed by lenders' wait-and-see attitude on the new Administration's so-called hard money policy.

In general, the worst of these periods of uncertainty is behind us.

The world-political situation, if anything, has become more productive of a policy of high-geared economic war preparedness. The weight of the Russian collosus, we now realize, remains the same for the time being as a factor in our national policy; whether it is shifted from one front to another, intensified on one end of the earth, relaxed on the other, or

trouble-stricken in one of its soft spots; or whether it fades temporarily behind a mass of gestures.

After observing the day-to-day pronouncements and actions of President and Congress, also most anticipations based on the consequences of excessive economy have subsided. Most lenders now foresee no budget cuts big enough to have any immediate effect on the over-all business activity.

Clever speculators may still be able to forecast considerable reductions of expenditures in one field and slight increases in another, and benefit from their foresight by investing capital in those industries which are most likely to profit from such developments. But these calculations do not normally concern the major lenders whose operations are *purposely* diversified enough to be capable of remaining intact despite minor shock effects on special segments of our economy.

At the present, the great fear of our large lenders has much deeper roots. It is not founded on trends which have become evident last month or last year. It goes back to the entire fiscal and housing policy of the last twelve hot-and-cold war years.

Is it safe to continue our present economic system of debt expansion another two or three years, as our government is apparently forced to do? The new Administration, forthright and realistic in its leaning toward hard money and credit restriction, has inherited a vast inflationary tide from its predecessor which it may be hard to stem at this late date. Can inflation be halted, or was the past experiment in it too reckless so that our economic system is like a bubble whose walls have suffered so heavily by forced expansion that contraction can only delay but never prevent its final burst?

Pessimistic crystal-ball gazers take one look at the present housing picture and think they can spell out the letters FHA in a very prominent spot on the bubble.

To their mind, FHA has been the much-abused instrument of grasping, overzealous operators who are responsible for overbuilding in many areas after construction there had reached and passed the saturation point. They point to the serious vacancy troubles of those who have taken FHA funds to build luxury apartment houses and apartment hotels and must now reduce rentals to stimulate the slight demand.

They also ask, "What will happen if any large group of loans made by FHA on the basis of sloppy appraisals has to be redeemed?"

These over-concerned lenders ask again, "What will happen if borrowers holding more than 2.9 per cent of the total of more than $14,000,000,000 FHA debt go into default and the guarantee fund should be exhausted?"

But more serious misgivings go beyond the small fraction of real estate mortgages now financed by FHA.

The subject of these misgivings is residential construction on the whole and the rise of fringe industries.

Lenders point out that by the end of this year our builders will have in-

creased the discrepancy between dwelling units and the family households occupying them more than ever before.

If predictions of another over-1,000,000-dwelling unit year are accurate, we may expect to have more than 50,000,000 one family homes and apartment house units to house only some 45,000,000 households. It may be estimated that at least 10,000,000 of these units are mortgaged single family homes whose value is sustained only by the earning capacity of individual Americans and therefore susceptible to the slightest economic upsets.

It is with this in mind, and because their prime interest is the preservation of their trusteed funds, not because they are not in favor of the home-ownership of lower-income groups that large lenders are inclined to give preference to large investment-type real estate excluding single family homes for mortgage loans.

In industry as well, the large lender seeks for manufactures of stability and permanence over the years. The best loan for them, theoretically, is one which could be lifted out of its cold and hot war surroundings, kept in a state of suspense away from economic and political trends, and would still be essential and up-to-date for the greatest number of people twenty or thirty years from today. The closest approximations to this ideal are food, clothing, and transportation, which continue to be the primary needs of the population no matter what happens, and therefore represent the industries with the smallest loan risk.

Yet behind all thoughts of caution, the frantic search for security, and the continuation of long established practices in spite of it all, remains the ominous question whether we are headed for the rocks.

Our lenders are waiting for a sign this year. When that sign appears to any substantial number of them, we will know about it. If they find the future secure, their policies are apt to become less conservative and more forceful and courageous. If, on the other hand, they should persuade themselves that things are going wrong it is hard to overestimate the effect, both psychological and practical, which will ensue.

What could be these danger- or all-clear signals? Here are a few of the many factors which our lenders will watch for re-assurance of their doubt-stricken attitudes but it is hard to say in advance whether the appearance of any of them will cause the expected chain reaction without knowing how strongly other contributing factors will enter into the picture at the time:

» Mounting repossessions and distress sales of single-family homes would spell death for the give-away program of cheap homes to low-downpayment buyers and cause many lenders to reconsider their over-all investment program.

» Softening real estate prices would be considered a good indication of a market saturation and cause a re-channeling of substantial investment funds into more rapid growing industries other than housing.

» Increasing vacancies of rental projects, neighborhood stores and commercial buildings could cause a temporary stop in the flow of money to such construction.

» On the other hand, the better the quality of loan applications received, the greater their number, the higher the interest rates chargeable on them will become, the safer the lenders will feel in their present position.

The last sign appears to be predominant on the market at the moment, and considerable relief pervades the finance committees of our large lenders. There is a growing confidence in the consistent and well-planned money policy of the new Administration. The only apprehension lies in the pressure continually exerted upon Congress to thwart the Administration's effort and to reinstitute cheap money. Thus, in a sense, Congressional action is considered to be the key to all further market developments and when we said at the beginning the large lenders have an ear to the ground to catch the distant rumblings of an earthquake, we might really have said they keep an eye on Capitol Hill developments—for all good, and all evil, cometh from there.

# A Son of Uncle Sam and How He Has Grown

***The son is federal credit aid in residential mortgage financing and he's a very big boy now—just how big you probably wouldn't appreciate until you take a look at the facts. They're told in a new study the conclusion of which is that even "stronger medicine" in the way of government aids is likely in the future.***

SOME 3.8 million dwelling units of the 9.5 million constructed in the United States from 1935 through 1951, or about 40 per cent, were financed with Federal credit aid.* During the six postwar years from 1946 through 1951, when 5.8 million dwelling units were built, 2.6 million, or more than 45 per cent, were financed with mortgage loans insured by FHA or guaranteed by VA.

In less than two decades, the new Federal credit aids have come to play an important part in private domestic capital accumulation.

The total of government insured or guaranteed mortgage loans on new construction during 1935-51 amounted to $22 billion. Most of it—$17 of the $22 billion—originated during the last six years of the seventeen-year period, the postwar years 1946-51.

Over the entire period, loans with these Federal credit aids averaged about 45 per cent of the total estimated flow of mortgage funds into new construction. During the six postwar years government insured or guaranteed loans were about half the total of mortgage funds flowing into new construction.

At the end of 1950 the outstanding balance of FHA and VA loans on existing as well as new dwellings was estimated at more than $22 billion, an amount which was roughly 40 per cent of the aggregate residential mortgage debt.

What do these figures mean in terms of capital formation and financing? During the five-year period 1946-50, nonfarm residential building amounted to $40 billion, out of a total of gross private domestic capital formation of more than $180 billion.

Thus these governmental activities in the field of residential mortgage financing directly affected a quarter of all private domestic capital accumulation. The ratio of funds provided by lending institutions or private lenders to the total capital used for residential building activities is higher than for other types of business activity. Thus a much higher proportion than a quarter of the total funds lent by financial institutions on new construction was advanced under the government programs.

The Federal program was most important in financing new one-family houses in the range from $6,000 to $12,000, the medium-priced range.

After World War II, the proportion of new dwelling units financed by federally insured or guaranteed mortgages was higher for rental housing than for owner-occupied units, but rental units remained relatively few in number.

One effect of the programs was to accentuate the tendency for the residential mortgage debt to be originated and held by institutions rather than individual lenders. This resulted because individual lenders were excluded from the FHA program and had only a small share in the VA program.

The programs, particularly that of FHA, have tended to stimulate the participation of commercial banks in residential mortgage financing.

The government assisted, largely through FNMA, in developing a secondary market for FHA and VA loans.

Intended originally to hold loans while they "seasoned" or acquired credit experience, and to provide a source of flexibility in the operations of lending institutions, the FNMA was an original supplier of funds when it engaged in heavy purchases of VA loans in 1950 and 1951. The supply was shut off afterward when credit was restricted as part of the counter-inflation program.

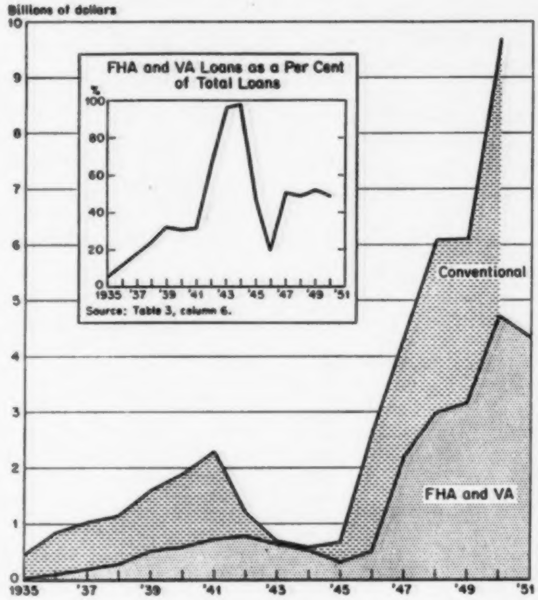
The Federal credit aids probably accelerated the decline in residential mortgage interest rates and helped to liberalize other contract terms.

Although service charges, including the FHA insurance charge, probably were not much less than those of conventional mortgages would have been, the lower interest rates and particularly the longer contract terms reduced the periodic outlays of the borrowers and thus were an advantage to them.

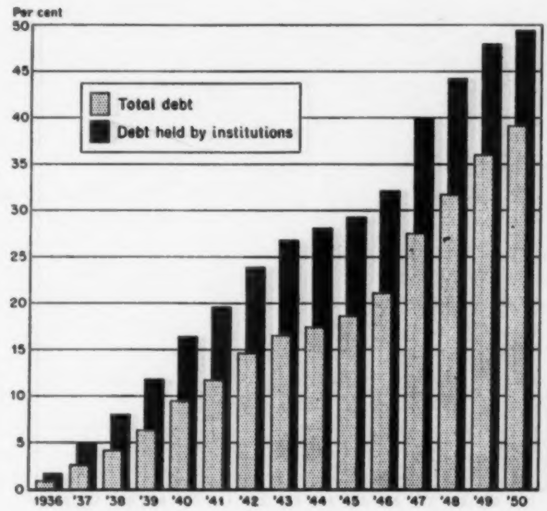
Due to this advantage, the program, Dr. Grebler shows, can be credited with part of the partial recovery in residential construction after the Great Depression. In the face of obstacles like the high though declining foreclosure rate and the high vacancy rate, there would probably have been even less recovery in residential construction in the second half of the Thirties had it not been for the FHA program.

*According to The Role of Federal Credit Aids in Residential Construction by Leo Grebler of the Institute of Urban Land Use and Housing Studies of Columbia University, published by the National Bureau of Economic Research, Inc., 1819 Broadway, New York 23. Price $1. Recommended for a full appreciation of the federal government's stake in mortgage lending, how it got there and its significance.

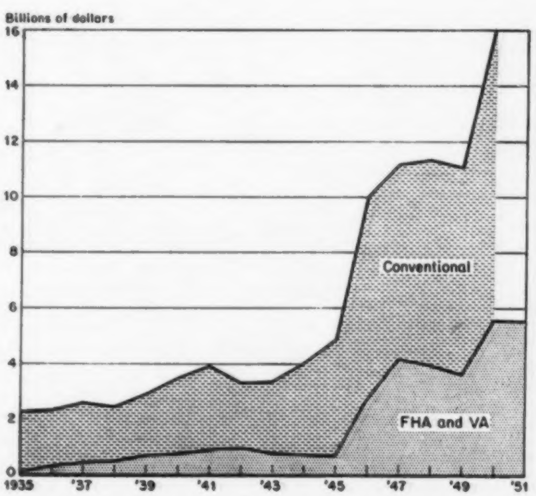
# Uncle Sam's Stake in Mortgages



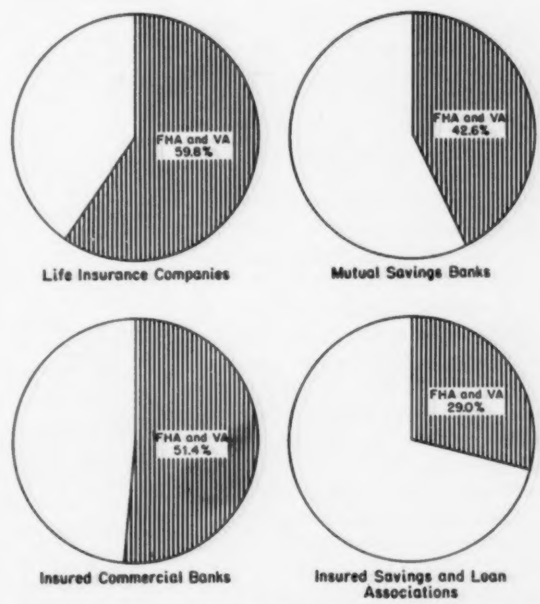

Amounts of Conventional and FHA-Insured and VA-Guaranteed Loans on New Residential Construction 1935-1951.




Estimated Outstanding FHA-Insured and VA-Guaranteed Loans as a Per Cent of Total Residential Mortgage Debt and of Debt Held by Financial Institutions 1936-1950.




Amounts of Conventional and FHA-Insured and VA-Guaranteed Loans Made on One- to Four-Family Houses 1935-1950.




FHA-Insured and VA-Guaranteed Mortgages Held by Principal Types of Lenders as a Per Cent of their Total Residential Mortgage Loans 1950.

To the extent that the programs succeeded in widening the market for new housing, they tended to raise the level of new construction, he points out. However, the advantage of lower monthly payments was at least partly cancelled out by inflation of total housing costs and a tendency to buy houses at higher price levels.

The circumstances surrounding the threat to the whole structure of ownership and debt after 1929, and the coming of World War II and the accompanying restriction on construction provided an historical setting without which the governmental aid programs might not have been undertaken.

Dr. Grebler traces the changing philosophy which, under the impact of economic and political events and forces, led to the developing and evolving programs. The development of aids to housing, he holds, must be viewed as part of a long-term social change. This change vests housing conditions—and not only those of the poor and indigent—with broad public interest and seems to reflect basic attitudes of the community at large, he contends.

The use of such aids is supported by other forces, he says. These are the full employment policy; the widely held notion that housebuilding is backward compared with other industries meeting essential consumer needs; and the conviction of strategic groups that such aids are indispensable to the processes by which housing is built and marketed.

If business activity should contract, any curtailment of such aids would be considered widely to be a calamity and their elimination would be held to spell disaster, regardless of what the real results would be, he believes.

He anticipates that the Federal government will continue to play a role in residential mortgage financing and that it will be a growing one. But little room has been left for making investment in insured mortgages more attractive under circumstances unfavorable to such investment, he reports.

In this situation, he believes that demands for "stronger medicine" in the way of government credit aids will develop and that governmental efforts to maintain a high level of residential building are likely to involve major changes in the ways in which funds are allocated to new building activity.

**›› KOREAN MARKET:** Korean War veterans represent a big and practically untapped market for housing. More than 2,000,000 already have returned to civilian life and 60,000 to 80,000 more are being mustered out of service each month. As of July 30, 1953, only about 20,000 of them had bought homes under the GI Bill. Korean veterans average 23 to 24 years of age and most are unmarried.

**›› LOTS OF KIDS:** Children are the big news in housing today. Government census figures show that since 1940 the number of families with 3 children has increased by 77 per cent, those with 4 children by 50 per cent, and 5-children families by 27 per cent.

CONSTRUCTION GROWTH

*(Continued from page 16)*

higher than ever before. All these help to support expanded markets.

Along with this, the advent of a new Administration has brought a decided change in the economic atmosphere with the relaxation of Government controls and the restoration of free markets. Thus there are many factors in the situation today to stimulate incentive and the traditional American willingness to take risks.

The following table gives the long-term relationship between private expenditures for new construction and production of capital goods (in billions of dollars) and gross national product, for selected years since 1929:

| Year | Construction-Capital Goods Expenditures | % of Gross Nat'l Product |
|---|---|---|
| 1929 | $14.2 | 13.7% |
| 1933 | 2.9 | 5.1 |
| 1940 | 11.7 | 11.5 |
| 1945 | 11.4 | 5.3 |
| 1946 | 22.6 | 10.7 |
| 1947 | 31.0 | 13.3 |
| 1948 | 37.6 | 14.5 |
| 1949 | 36.0 | 13.9 |
| 1950 | 44.9 | 15.8 |
| 1951 | 48.2 | 14.6 |
| 1952 | 48.8 | 14.0 |

Sources: U. S. Dept. of Commerce; Institute of Life Insurance.

# Where's the BEST PLACE To Live in the U. S.?

*Is it the big city?*

*Or the smaller town?*

*What does size of community have to do with prosperity? The facts seem to show that size is not a factor in prosperity and that by the yardstick of income the smaller cities have an edge over metropolitan centers.*

WHERE'S the best place to live, to work, to make a go of your business (mortgage business or any business)? What sort of place is this best place?

Well, we can get a picture of a typically prosperous American community and what made it that way from current government data*.

The most prosperous communities, taking as the yardstick the median income of all residents (families and unrelated individuals), are the smaller cities rather than large metropolitan areas.

Their residents as a whole are somewhat older than the average by comparison with the median age of the U. S. population. And, as far as educational levels are concerned, they do not necessarily rate above the national average.

All the top income communities have one factor in common. That is an unusually high proportion of the population earning a livelihood in manufacturing, and particularly in durable goods. This is added evidence of the important relationship between industrialization and prosperity in the United States. Furthermore, all these communities are located in the North or Middle West, where industrialization came earliest in the nation's history and is most concentrated.

Any notion that the *size* of a community is a dominant factor in its prosperity is dispelled by the figures. As a matter of fact, the big metropolitan centers come off second best in the personal income test. Of the ten urbanized areas which were at the top in median personal income in the 1950 Census, five had less than 200,000 population each, and two others were larger but not in the big metropolitan class. These seven were South Bend, Ind.; Flint, Mich.; Stamford, Conn.; Rockford, Ill.; Schenectady, N. Y.; Toledo, Ohio; and Milwaukee, Wis.

South Bend, with a population of 168,000 in its built-up area in 1950 and with a median personal income of $3,673 in that Census, ranked as No. 1 in the income scale. Flint, with 198,000 population and $3,666 median personal income, was in second place. Their income figures were more than a fifth greater than the national median for urban areas in that year.

Only three of the twelve big urbanized areas with populations of more than a million had median personal incomes high enough to qualify for the top ranking group. They were Detroit, which was in third place; Chicago, which ranked sixth; and Cleveland, which was ninth. New York, the biggest metropolis of all, was in 28th place in the income scale. Washington was 14th.

The outstanding characteristic of the occupational situation in all the top income cities is the high proportion of the working population engaged in manufacturing. In the case of Flint, the proportion was as high as 57 per cent. Three others had ratios of more than 50 per cent. In all cases, too, the majority of those on manufacturing payrolls were in durable goods plants. A factor in Stamford's rating in the top ten is its location in one of New York City's prime residential and commuting areas. However, 37 per cent of the working population of Stamford's urbanized area were in manufacturing, with the edge in durable goods plants.

As far as the median age of their populations is concerned, eight of these top ten income communities were older than the national median. South Bend and Flint were the only two exceptions. The oldest of the group was Schenectady, with a median age of 33.9 years as against the national figure of 30.2 years in 1950 for the population as a whole.

The educational level of the adults in a community is indicated by Census

*By the U. S. Bueau of the Census regarding the general characteristics of 119 urbanized areas with populations of 100,000 or more.

# It Takes Dollars To Do It

***And it's taking a lot of them to finance the tremendous business and industrial expansion we've experienced in recent years—as well as the heavy volume of building. Will the money supply hold out? We will have to look to savings for a big part of it.***

UNPRECEDENTED private demands for new capital funds over the past year to keep the nation's economic wheels running in high gear point up the increasingly dynamic role that personal thrift has been playing in national prosperity and progress.

The facts are that much of the ability of the capital markets to supply, without undue strain or cost, the billions of lendable funds sought by business, individuals, and Government (Federal, State and local) is due to the regular savings of tens of millions of Americans and the thrift institutions they have helped to build. But it poses a question very much on the minds of many mortgage men today: Where is all the money we will need in the future coming from?

In a real sense, systematic saving by people all over the country and in all walks of life has made the United States a nation of capitalists in the true meaning of this term.

For one, the life insurance business, which is such an important source of funds today for business and individuals, represents the pooled savings of 88 million policyholders. There are likewise more than 60 million persons with thrift accounts in savings and commercial banks. Then, too, the number of workers covered by private pension plans is now placed at 10 million. In addition, millions of persons own securities of business and industry, either directly or through investment companies.

Thus, primarily through the saving-investment process, the great majority of the population has a financial stake in the American economy and its productive mechanism.

The role of savings in the capital markets stands out clearly in a recent survey by the Federal Reserve System of the growth of major types of credit and capital in the 1950-52 period.

The Reserve placed the net total of these credit and capital demands at \$31.6 billions last year, a new post-World War II high, as compared with \$22.9 billions in 1951 and \$25.3 billions in 1950. As to where these huge funds came from, the Reserve found that the people's three principal thrift institutions—life insurance, mutual savings banks, and savings and loan associations—alone supplied \$9.2 billions of these net demands for funds in 1952, or 29 per cent of the total. The year before, these thrift institutions supplied \$6.4 billions of the year's net credit and capital needs, or 28 per cent of the total; while the comparable figures for 1950 were \$6.6 billions and 26 per cent.

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figures on the median number of school years completed by persons 25 and over. Five of the top ten income communities were under the national median in this respect.

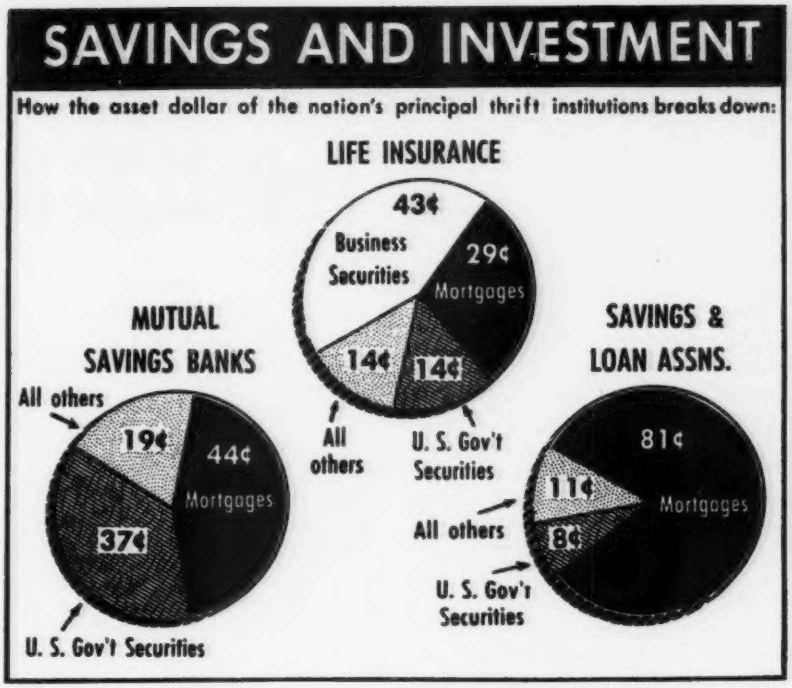
The city with the highest educational attainment of its adult population for the country as a whole in the 1950 Census was Madison, Wis., where one of the nation's biggest universities is located. The median for this community was 12.4 school years completed by persons 25 and over as against the national median of 10.2 years for urban areas in that year. However, Madison's median personal income was \$2,745, or some \$200 under the national median. Most other urbanized areas in the top educational group, though, had median personal incomes higher than the national figure.

Of the 119 urbanized areas surveyed by the Census Bureau, 62 or just over half had median incomes larger than the median for the country's urban areas as a whole. Many of the communities in the lower half of the income scale were in the South, where industrialization came relatively late and where living and other conditions are also different than in other parts of the country.

These figures give an indication of the increasing contribution that personal thrift has been making to productive investment, hence jobs and economic progress, while at the same time serving its traditional function of individual and family security.

Personal savings are likewise important in the ability of other lenders to meet the demands for new credit and capital funds. Federal Reserve figures show, for example, that about a quarter of all deposits in the commercial banking system, the biggest single source of credit, consists of time deposits, the bulk of which belongs to individuals. Pension funds are likewise a growing factor in the investment and capital markets, and there are many individual investors as well. Recognizing this situation, the Bank for International Settlements, in its latest annual report, states that personal savings were the source of more than half of the total of net investment in the United States in 1952.

When World War II ended in 1945, the life companies combined had about $11 billions of their policyholders' funds invested in the securities of business and industry, and just over $6½ billions in mortgages. Today, life insurance investments in the securities of business and industry add up to approximately $32¾ billions, or about three times the total so invested at the end of 1945, and mortgage holdings are more than $22 billions, or some 3½ times the 1945 figure.




The rise in these two categories reflects the record expansion in plant and equipment and in home building since the end of World War II, and the ability of the people's thrift institutions to supply the funds for this growth. Investments in the securities of business and industry and in mortgages together now represent 73 cents of the life insurance asset dollar as compared with less than 40 cents in 1945.

Here's how our credit was used—and where it came from last year. The table gives the estimated uses and sources of major types of credit and capital in 1952 (in billions of dollars):

| | Net Increase for 1952 | % of Total |
|---|---|---|
| **MAJOR USES** | | |
| Real estate mortgages | $8.7 | 28% |
| Corporate security issues | 8.3 | 26 |
| Consumer credit | 4.2 | 13 |
| State & local govt. obligations | 3.6 | 12 |
| U. S. cash borrowing | 3.4 | 11 |
| Bank loans to business | 2.0 | 6 |
| Other bank credit | 1.4 | 4 |
| **PRINCIPAL SOURCES** | | |
| Commercial banks | 9.9 | 31 |
| Thrift institutions | 9.2 | 29 |
| Life insurance cos. | 4.4 | 14 |
| Savings & loan assns. | 3.1 | 10 |
| Mutual savings banks | 1.7 | 5 |
| Other institutional investors | 2.4 | 8 |
| All Government bodies | 2.3 | 7 |
| All other lenders | 7.8 | 25 |

» **EARNINGS:** The average American family's income rose from $2,500 in 1944 to $3,700 in 1951.

Only one in eight families had income over $5,000 in 1944; by 1951, the proportion had more than doubled.

Admitting that prices rose along with dollar income in the 1944-51 period, the department of Commerce noted:

"The purchasing power of the average family probably was about as high in 1951 as it was during the period of peak economic activity of World War II."

In a breakdown of family income, the department said that 3.7 million of the nation's 40.4 million families in 1951 had an income of under $1,000. At the other end of the scale, there were only 500,000 families with an income of over $500,000 or more.

# FLORIDA BEGINS MODERNIZATION OF ITS FORECLOSURE LAW

THEY'RE outmoded, obsolete, carry-overs from horse and buggy days, these mortgage and foreclosure laws in almost one-half of the states of this country. Reform is long overdue. Two decades ago it appeared some sentiment was crystallizing to modernize them but little came of it. But today some specific action is taking place and it may represent the beginning of a promising development.

HOLC experience showed the wide variation in the laws which govern the making of a mortgage. If some states have fair and equitable foreclosure laws—and a number of them do have excellent legislation in this regard—then about half have laws considerably less than that and, in some, the legislation which regulates mortgage lending and forclosure acts as a serious deterrent to capital investment.

The problem is there and it's a serious one; but for too many it has seemed too big to tackle, too many obstacles in the way. Yet all recognize that in those states where unrealistic legislation is still on the books, almost no other single deterrent is so serious for stopping the flow of capital at state lines.

This year President Brown L. Whatley has been emphasizing this state of affairs in his public statements and urging lenders in those states which suffer from these conditions to start the ball rolling to modernize their mortgage and foreclosure laws. As one step, he named a Conventional Loan Committee headed by Byron T. Shutz of Kansas City which has had for one of its objectives a program that would stimulate action.

President Whatley's own State of Florida happens to be one of those which had been long overdue for an overhauling in its foreclosure law. And here something has been done, something constructive that may well serve as a pilot model for other states. What was done, how it was done and the job still to be done requires a little background for a complete understanding.

In Florida a mortgage constitutes a lien and does not convey title. This is true regardless of the form of the instrument. Foreclosure is accomplished by court proceeding in a formal chancery or equity action. This has the advantage of resulting in good title, not accompanied by the sometimes troublesome redemption period. These advantages, however, do not exist in every state where summary non-judicial remedies have been provided; and because of the lack of these advantages, summary procedures have been abandoned as impracticable in some states.

Over the past years some progress has been made in the modernization and simplification of general chancery procedure and pleadings *(adoption January 1, 1950, of Florida Equity Rules—similar to Federal rules)*. But until recently there was no organized effort for passage of legislation specifically designed to expedite mortgage foreclosure proceedings and to lessen their costs. Without such an effort nothing particularly important was accomplished. Efforts of individuals and various small groups have not had sufficient force to obtain results. Without reform, foreclosure costs have been high. FHA allowances for foreclosure costs are unrealistically low and even VA allowances have been insufficient in some cases.

This situation troubled investors in Florida as it does in other states similarly situated. It has given concern to the lawyer who has found it difficult to explain to his client the reasons for the seemingly high costs of mortgage foreclosure.

Florida has now pointed the way to what can be done—but it has meant some hard work. Here is what was done: First, some exploratory studies were made by members of the Florida Association and their attorneys. Then John A. Gilliland, president of the Association, called a meeting of officers and the board of directors. The principal item of business was the consideration of the problem of foreclosure costs and a determination of what could be accomplished to remedy that problem. Attorneys for six of the members were present. Suggested legislation was of two general classes:

**AND WHAT'S BEEN STARTED** ***in this State might well be the inspiration for mortgage men in other states where investment by out-of-state lenders is seriously hampered by obsolete mortgage and foreclosure laws***

» A drastic change in the foreclosure method to provide for foreclosure through power of sale, without court action (actual draft of proposed law was submitted).

» Simplification and shortening of foreclosure proceedings, through court action.

It was recognized that the first method would result in a greater saving of cost than could any revision contemplating continuation of the court action, though the time necessary to complete the foreclosure and acquire title would probably be greater if the non-judicial method of procedure was adopted. Many at the meeting had had long years of experience in the mortgage field and not a few were experienced in legislative matters. Some had been in the mortgage business or in the practice of law in states where foreclosure without court action is in force or has in the past been in force. All agreed that it would be impracticable to attempt passage of legislation eliminating court action at the 1953 legislative session (April and May). So drastic a departure would require further detailed study and to succeed would have to be backed by a very vigorous educational campaign. It was believed that there was not sufficient time to gain the necessary backing for foreclosure by power of sale law nor sufficient time to prepare a proposed law which would withstand court attack (in this connection it is recognized that any new law along this line will have to be tested in the courts before it is generally accepted as a safe procedure).

By unanimous agreement, it was decided to sponsor appropriate legislation for such revisions of present procedures as might result in savings in cost or time, or both, keeping in mind the preservation of the good features of the Florida practice.

The attorneys were named as a committee to draft proposed legislation and to solicit and consider suggestions of other lawyers in the state who had special knowledge of the subject.

Through its legislative committee, headed by Lon Worth Crow, Jr., Miami, and its officers and board members, the State Association sponsored the proposed revisions and presented them locally through city and county Mortgage Bankers Associations, home builders associations, Chambers of Commerce, civic groups and other organizations. The problem was found largely to be one of education. When the problem was understood, support came as a natural result.

From these efforts there has now become a part of the law Chapter 28093, Laws of Florida, Acts of 1953, applicable to foreclosure proceedings begun after June 3, 1953.

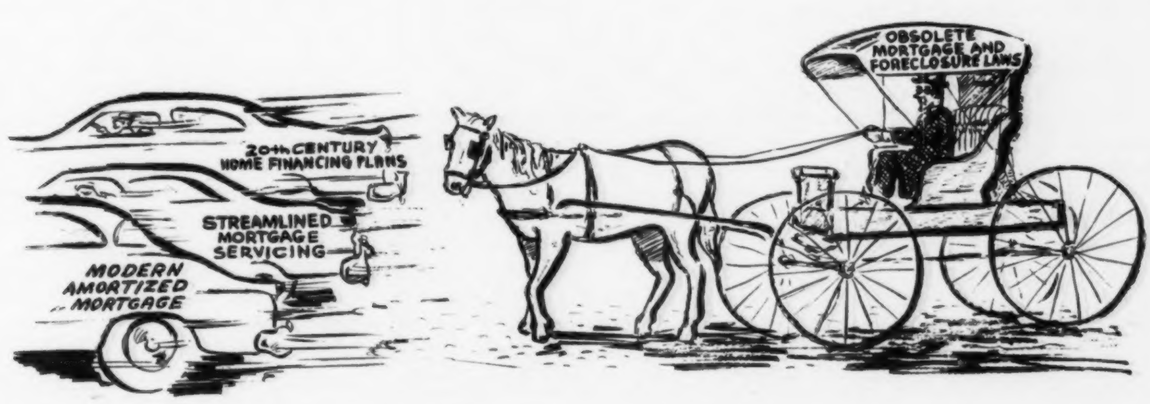
Among the provisions are:

» Simplification of the complaint (the initial pleading filed in the court action). One feature of this provision is that it is now unnecessary to allege or set forth any part of the terms of the note or mortgage, copies of which are attached to the complaint.

» Provision for foreclosure sale by Clerk of the Court at a fixed fee of \$5. Former practice contemplated sale by special master at a sliding scale of fees which were fixed by statute (and which computed at a fee of \$59 at sale for bid price at \$6,000; \$79 for bid price at \$10,000, etc., adding one-half of 1 per cent for additional amount of bid price). By local arrangement, however, lawyers in some localities have been able to arrange for special master's fees at \$25 and up per sale.

» Foreclosure sale to be held on day fixed by the final decree entered by the court not less than ten nor more than thirty days after the date of the decree (former practice required an average of more than thirty days' elapsed time).

» Newspaper publication of notice of sale published one time only and




**THEY'VE PASSED HIM BY:** *The science of lending on residential real estate has shown great progress in the past quarter century but the legislation which governs it remains pretty much where it was 75 years ago. Reform, particularly in foreclosure laws, is badly needed.*

**ACKNOWLEDGMENT:** *Compiling the material for this article, as well as its preparation, is almost entirely the work of Edwin M. Clarke of Jennings, Watts, Clarke & Hamilton, attorneys of Jacksonville, Florida. Mr. Clarke is a leading authority on FHA and VA financing.*

length of the notice shortened; average publication cost is estimated at $5 to $6 (former practice was for notice to be published three or four times, with estimated average publication cost of $19 to $22).

>> Provision is made for a statutory form of report of sale by Clerk and, in absence of objections filed within ten days, for the Clerk to file certificate of title which operates automatically to pass title to the purchaser without court confirmation or other proceedings (formerly special master's report of sale was filed and court hearing for confirmation required—order confirming sale was followed by deed from special master to purchaser at foreclosure sale).

>> Following the passing of title, the Clerk disburses sale proceeds and if no objection is filed within ten days, the report stands confirmed without court order (former practice required court hearing for approval of special master's report of disbursement. A hearing is now necessary only if objections are filed or deficiency decree is sought).

The provisions of this law will result in reduction in foreclosure costs and in most cases should permit an attorney's fee in a lower amount than before. While the time necessary to complete a foreclosure in Florida has never been unduly long, this new bill will shorten it in most cases.

It is recognized that what has been done is a step in the right direction but is not the final answer to the problem. Further study is required. Suggestions for further study are:

>> Documentary stamp cost. Under the laws of Florida and the United States and the FHA and VA procedures, documentary stamps must be affixed to the foreclosure deed (or other instrument vesting title) and to the deed to the Federal Housing Commissioner or the Administrator of Veterans Affairs. In the case of an $8,000 mortgage this expense amounts to $33.60 ($16.00 State and $17.60 Federal).

It had been hoped that the 1953 legislative program might eliminate at least one set of the State stamps. The possibility exists that by replacing the special master's deed with the Clerk's certificate of title stamps will not be necessary, though it is believed that stamps are still necessary on the certificate of title. However, an opinion of the State Comptroller is being requested on this subject. The only sure method of eliminating one or both sets of State stamps lies through direct State legislation or a change in the FHA and VA procedure. In this connection it was not thought wise to jeopardize the passage of the 1953 legislation by including provision to eliminate State documentary stamp taxation; such proposal will undoubtedly meet with a poor reception with the State authorities. Elimination of Federal documentary stamp tax on the conveyance to the purchaser at foreclosure sale and on the deed to the government agency are matters which can be accomplished only on a national scale by Federal legislation.

Vigorous effort should be made to eliminate the duplication of deeds, and hence duplication of documentary stamps. FHA and VA procedures now require the mortgagee to acquire title, by foreclosure or voluntary conveyance, after which the mortgagee conveys to the Federal Housing Commissioner or the Administrator of Veterans Affairs. A change in this procedure, even though probably it involves amendment of the Housing Act, is long overdue. Proper consideration for the issuance of debentures or payment of a claim could be furnished by assignment of the foreclosure bid or other agreement not requiring documentary stamps. The problem existing with regard to documentary stamp taxes is the same whether foreclosure is by court action or through non-judicial power of sale. It exists also where the mortgagor conveys in lieu of foreclosure. Since the Federal documentary stamp tax is required throughout the country and most state laws require State documntary stamps, the problem is nationwide.

>> A complete revision of the laws of the State to provide for foreclosure without court action through exercise of power of sale contained in the mortgage instrument. Such a proposed law must be worked out with great care, and it is believed that there will be considerable opposition to its passage. The counsel and support of the State Bar Association and title insurers groups should be sought. With aggressive backing and a proper educational program it may be possible to secure the passage of such a law.

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>> **RECORDS INSURANCE:** Valuable papers and records insurance and accounts receivable insurance, two relatively new types of protection, are now being offered by the Security-Connecticut Insurance Companies. These policies insure against practically all risks and the rates are based on the fire insurance rates where the property is located. The Valuable Papers and Records Insurance pays an agreed amount for each noted record or the replacement of the unlisted records including both materials and labor.

"Almost every office," the announcement states, "has in it valuable papers or records. Rarely are these insured, or even accurately inventoried. Among the types of property are books (of records or any other type), maps, films, drawings, abstracts, deeds, mortgages, manuscripts and any other written, printed or otherwise inscribed documents. (The valuable records policy does not insure money and securities, however.) Many businessmen may never have stopped to think of the value of a mailing list or other records and files that are basic working tools. . . . This policy provides for two types of protection: scheduled and blanket. Each scheduled and described article is insured for an amount agreed upon between the insurer and the owner."


Minnesota Mutual Life Insurance Company of St. Paul joins the parade of other insurance companies which have or are building beautiful new home offices. This year the company will build a 2½-million-dollar structure in St. Paul. The eight-story building, with a red granite base and a pale stone superstructure, is expected to be completed for the company's seventy-fifth anniversary in August, 1955.

"We expect the new building will be of sufficient size to care for the growth of the company for 10 to 15 years," **Harold J. Cummings,** president, said.

A space at the rear, equal in area to one floor of the building, will provide parking space for 65 to 120 cars, although the rear area is being held in reserve for expansion of the building at some later date.

Vice Presidents **Norman C. Nelson** and **Carl R. Anderson** will be in charge of the building project.

## OBITUARY

George C. Holmberg, vice president of Northwestern National Life Insurance Co., Minneapolis, until his retirement in 1951, died at his home. He was well known in the mortgage industry over the country. He had been associated with the life insurance firm since 1925. In 1921 he served on the staff of the War Finance Corp. in Washington, returning to Minneapolis in 1923 as regional secretary of the agricultural loan agency. In 1932 he again went to Washington to assist in organizing the RFC.

Mr. Holmberg was a director and member of the finance committee of Northwestern Fire and Marine Insurance Co., a member of the trust committee of the First National bank; director and member of the finance committee of the Twin City Fire Insurance Co., and a member of the Minneapolis club.

When business began to slow down, some mortgage bankers said they were "going fishing" until things straightened out. Not so **George C. McIntosh** of McIntosh & McIntosh of Arlington, Va. He went into the fishing business. He's got the Reel Easy Corp. which manufactures a rodless reel shown recently at the national fishing tackle show. It looks like a coffee can wound with wire and, runs the story, it started out about that way.

Ed S. Halsey, an 86-year-old fisherman, used a broomstick, can and cork to make the first "Reel Easy" and his daughter and son-in-law, Mr. and Mrs. McIntosh, went in with him to produce them.

McIntosh says it's possible to troll, cast and spin with his gadget—and it works fine for kite-flying, too.

**Walter C. Nelson,** president of The Eberhardt Company, Minneapolis, and MBA regional vice president, is one of the speakers at the sixth annual Women's Forum sponsored by the First National Bank of Minneapolis. His subject: Real Estate, a Wise Investment.

**Stanley P. Fosgate,** formerly vice president, Lon Worth Crow Company, Miami, has become associated with Stockton, Whatley, Davin & Company as vice president and manager of their Miami office. He was previously with The Keyes Company and earlier with Prudential. . . . **Byron T. Shutz,** president, Herbert V. Jones & Company, Kansas City, and former MBA president, and **Miles L. Colean,** editor, MBA Washington Letter, have been named by President Richard L. Bowditch of the U. S. Chamber, to its 1953-54 Committee on Governmental Expenditures. . . . **James L. Madden,** second vice president, Metropolitan Life Insurance Company, New York, has been named chairman of the U. S. Chamber Committee on Taxation. . . . **Russell G. Smith,** executive vice president, Bank of America, San Francisco, is one of those who have been named to the advisory committee of the Banking and Currency Committee by Senator Capehart. . . . **Willis R. Bryant** has been elected vice president of the American Trust Company, San Francisco. He's been with the institution since 1928, is in the real estate and mortgage department and has been one of the most active workers in MBA on the West Coast. . . .

**Left to right, Messrs. Davis, King, Hugh Denman, retiring president, Cotton and Jackson.**

**Robert Cotten,** Protective Life Insurance Company, has been elected president of the Birmingham MBA. Other officers elected are **Grover L. Davis,** Cobbs, Allen & Hall Mortgage Company, vice president; **James A. King,** Reese-King Mortgage Co., secretary and **Phillip C. Jackson, Jr.,** Jackson Securities & Investment Co., treasurer.

At the Seminar of the Florida Association of Realtors: Tom Dobson of Gainesville, education committee chairman; Emanuel Danese of Jacksonville, First District vice president; Robert T. Brinkley of Tallahassee, association president; President Whatley; Walter J. Matherly, dean of the University of Florida's school of business administration, and Jack Justice of Miami Beach, vice president of the Fifth District. At the Realtors' Seminar: Ted L. Staton, general chairman; President Whatley; Dean Matherly; Agnes Morrow, corporate secretary of Florida Assn. of Realtors, Lakeland; and Mr. Brinkley.

## WE NEED DECONTROL OF MORTGAGE INDUSTRY

*(Continued from page 23)*

Right now the mortgage situation is a gloomy subject, Whatley said, due to a "veritable parade of events" that create new situations every week He mentioned as the first significant change from the "smooth running building scene of the past 10 years" the creation of a free market in government bonds by the U. S. Treasury and Federal Reserve system.

In another address, he said that government decontrol of interest rates would end the mortgage money shortage which is hampering the home building and real estate industries.

Whatley said the federal government's fixed rates on FHA and VA mortgages have helped to produce the present "gloomy situation" in home financing.

Decontrol would bring the rates on these types of mortgages up to the rates of conventional loans, and financial institutions would free the money, now invested elsewhere, to buy the mortgages, he said.

Whatley expressed hope that the Eisenhower administration and Congress, which have removed controls from most other fields, will do the same for the mortgage business.

## OUTLOOK FOR BUSINESS

*(Continued from page 13)*

» The defense part of the boom will continue to create substantial purchasing power without adding to the supply of goods and services—thus postponing further the day when civilian overproduction will really engulf us.

» We probably have been underestimating not only the increase in the country's productive power, but also the rate of its growth and the tremendous power behind this growth. We are now a nation of 160 million and still growing fast. We have now the highest standard of living ever—and it is still rising.

I have a feeling that this is the one factor whose real potentialities most of us do not yet appreciate fully.

Whenever I find myself cornered these days I usually admit—and not even facetiously—that there must be "something" in the economic picture we are overlooking. Otherwise there could not be so much strength and verve in the boom while so many weaknesses are cropping up.

This growth potential, more likely than not, is the area in which we are underestimating the country's strength.

» Finally, there is the factor of government policy that must be considered in this picture, as it is unthinkable that any Administration will stand idly by when the economy threatens to slip into a deflationary spiral. Too much is at stake—and not only politically.

A breathing spell in the boom probably would be just about the best thing that could happen to the economy and there is reason to believe that this is the official view in Washington.

It is, of course, nonsense to build this concept up into a charge that the Administration is wanting or planning a recession. With important Congressional elections coming up next year, such a plan would be political suicide.

That the Administration is leery of too much recession is demonstrated by the agility with which it moved to correct, if not reverse, its initial policy of tightening credit and putting agriculture on a supply-and-demand basis.

Actually, of course, the Administration never had anything as drastic as a real hard-money policy or a free market for agriculture in mind. But the important thing—a few months ago—was that a lot of people thought it had. That led to a psychological reaction which, if it had not been corrected quickly, could easily have touched off a business decline.

If the Eisenhower-Humphrey-Burns team has already arrived at any conclusion as to where the trigger point for new economic government intervention lies, the members of the team have not told anybody about it as yet.

However, you can discount most of the brave Administration talk that there is "no chance" for any recession, even without Korea.

The Administration is proceeding on the basis of the calculated risk that it can stop any decline that may develop before it threatens to get out of hand.

That the Administration believes in this premise is best illustrated by the fact that it still—in all sincerity—

puts the balance of the budget and a gradual reduction in taxes at the head of its economic aims.

Behind this lies the suspicion that as long as we have full employment conditions, inflation is not really dead, but merely dormant.

But here again it must be pointed out that the conclusions of full employment can prevail only as long as a considerable part of the labor force is employed in defense work—where it receives considerable purchasing power but does not contribute to the increase in civilian goods supplies.

If economic intervention becomes necessary, the Administration must change signals on its budget and tax policies rather quickly.

If tax relief is to have promotional or stimulating value, it has to exceed the cut in government spending. This, of course, would mean the return to *deliberate* deficit financing—in contrast to the involuntary kind in which the Eisenhower Administration currently is caught through no fault of its own.

If a serious recession gets under way, I doubt that, even if the Administration throws the switch quickly, government intervention can stop the trend at will. The key to successful intervention lies in acting early enough. If timed properly there is no reason to doubt the effectiveness of intervention.

There are some observers who feel that we never will have another cyclical depression. But I still believe that it is not a mere case of "cyclophobia" to keep on insisting that the business cycle has not been conquered. In view of the great variety of forces operating within the economic system and the many potential sources of maladjustment which exist, the only thing we can hope for is to lessen the amplitude of business fluctuations. That is a good deal less than a complete elimination of the business cycle.

It is next to impossible to determine in advance the nature and seriousness of any decline.

No two recessions are ever alike—simply because no two booms preceding them are alike.

As Dr. Burns says, "Each downturn is uniquely shaped by the boom that precedes it."

Two patterns stand out as possibilities:

» The mild inventory recession of 1948-1949 that shaved about 10 per cent off the rate of industrial production in a year and was quickly forgotten; or

» The more serious recession of 1937-1938 which, because of existing maladjustments between production and consumption, resulted in serious unemployment and tumbled industrial production down 30 per cent in about a year. Once things were squared away again, it took only five months to recover half of the drop.

## We Probably Passed Peak in March

Looking at the two years 1953 and 1954 together, chances are that the high point in industrial production was established last March when the adjusted Federal Reserve Board index hit 243.

The second quarter average of 241 was surprisingly high. This, however, was due mostly to transitory factors, such as the warm winter of 1952-53; the fact that durables then still were in the process of closing the gap created by last year's protracted steel strike; that, in connection herewith, consumer credit spurted vigorously; and that there also was a sharp spurt in Government expenditures.

I expect the auto industry, the steel industry and construction to determine the pattern for the balance of 1953 and the early part of 1954.

Outside of moderate seasonal influences, notably in the non-durables, I don't see anything too offset the down-drag generated by automobiles, steel and construction.

By the end of 1953 the Federal Reserve Board index should be somewhere between 230 and 235. But don't sue me if it turns out a few points higher.

As far as 1954 is concerned, any prediction must make some assumptions.

Assuming that there is no deterioration in the international situation which necessitates a sharp step-up in the defense program and assuming that the Administration does not get impatient and start to build a fire under the economy to reverse a slow but persistent downtrend, 1954 should end at a lower level of industrial production than it starts—but not drastically lower.

If left pretty much to itself, the end of 1954 may find industrial production somewhere in the neighborhood of 205 to 215—and that still would be a pretty good neighborhood.

Such a pattern might involve unemployment of some 5,000,000 late next year and this probably will be regarded as the signal for the government to step in and try to halt the decline.

If intervention comes before the Federal Reserve Board index "breaks" 200, it should not be too difficult to stop and reverse the decline if the Administration sets its mind to it.

This is the pattern that, to me, looks the most reasonable to expect in view of the delicate balance between strong and weak points in the economy.

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» **THEATER CLOSINGS:** The hundreds of closed theaters in the nation, whether standing idle or converted to another use, generally have a deteriorating influence on the neighborhood and the economic whole, a NAREB report says.

Real estate boards in 264 communities report almost a thousand closed theaters.

"Theater buildings generally are single-purpose structures," says the report "While conversions can be made, they require extensive structural transformation and are expensive. Consequently, prices paid for closed theaters can generally be said to represent a fair value for the land, plus a reasonable value for the walls of the building.

"When a theater closes, a frontage of from 40 to 75 feet is taken out of an otherwise active business community. Instead of contributing its share as a component of the neighborhood shopping area, it becomes a deteriorating influence on the economic whole.

"With a decline in pedestrian traffic, the 'walk-by, walk-in' trade is reduced. In some cases adjacent enterprise follows the theater as a casualty.

"Where the building is converted to a lesser use, it will depress nearby business locations."

## BRIEFLY TOLD

**» HOTEL BOOM:** The hotel industry is in the midst of a building boom, *Architectural Forum* reports. For the first five months of this year $28 million has been spent on 1,067 big and little hotels, indicating a year second only to 1950 when new hotel construction amounted to $84 million.

But hotel association tabulations report plans during the first six months of 1953 to spend a whopping $153 million for new construction. Even this large figure is pint size compared to the continuing boom in hotel modernization and renovation. The American Hotel Association puts remodeling outlays at $2½ billion in the last five years. Currently, modernization is costing $500 million a year.

Among new hotels, the need for making ground-floor space provide a handsome return was leading more operators to follow the lead of Cincinnati's Terrace Plaza, in planning combination department store-hotels, or office-hotels.

Realtor William Zeckendorf plans a 30-story combination Statler Hotel-merchandising center-parking garage on Courthouse Square in Denver. In Houston, the Shelby Construction Co., on a site facing the Shamrock Hotel, will build a 17 story $5 to $6 million annex with a department store on the first two floors, office space above it and 200 hotel rooms from the 11th floor up.

In Philadelphia, the Sheraton Corp. announces it will build a $14 million 1,000 room hotel about 30 stories high, above a two-story arcade in the new Penn Center Development.

Dallas is due to get a 1,000 room, 17-story Statler Hotel, Tampa a $12 million 400-600 room combination hotel and department store, surmounted by a television tower and Houston, a $6 million luxury 14-story apartment hotel.

Overseas, U. S. hotelmen are eyeing nearly every major city in the world as a hotel site. Hilton just opened the 350 room Castellana Hotel in Madrid, is building a hotel in Turkey and has advanced negotiations under way for others in Rome and London. Another $10 million Hilton Hotel is being designed for Havana.

Leo Corrigan, who owns the Los Angeles Biltmore and Dallas' Adolphus plans to lease a $3 million hotel in Nassau. Intercontinental Hotels, a Pan American Airways subsidiary, is opening three Latin American hotels this year. San Salvador plans a new million dollar smaller hotel for commercial travelers.

On the remodeling side, Philadelphia's Bellevue-Stratford will spend $4 million for structural renovations, air conditioning and interior re-design. Many other hotels are converting rooms, originally designed for maids, into guest rooms. Chicago hotels are in the midst of a $12 million expansion program to offset the lack of a city auditorium for conventions. Kansas City's Muehlebach is building a 12 story annex.

Hotelmen's biggest problem remains: how to attract the increasing large segment of people who travel by auto. In the crowded East, one answer is typified by plans for the new Penn Sheraton which will include an auto lobby where motoring guests can register and whisk upstairs in an elevator without having to go through the main lobby. The American Hotel Association figures 40 per cent of this year's outlays for modernization will go for facilities for the guest who arrives by car.

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The New York Board of Title Underwriters had adopted a standard form of contract for the purchase and sale of real estate, and standard forms of real property deeds, bonds, notes, and mortgages, and mortgage extension agreements and assignments which are in constant use by attorneys in real estate transactions.

In deciding to adopt standard forms, the terms and provisions of which are understood by all practicing attorneys, each member company resolved age-old minor differences in the content of its own forms, believing such action to be in the interest of the legal profession in the State of New York.


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